

PROVIDING FOR CONSIDERATION OF THE SENATE AMENDMENTS TO THE BILL H.R. 622, HOPE FOR CHILDREN ACT

FEBRUARY 14 (legislative day, FEBRUARY 13), 2002.—Referred to the House Calendar and ordered to be printed

Mr. HASTINGS of Washington, from the Committee on Rules, submitted the following

R E P O R T

[To accompany H. Res. 347]

The Committee on Rules, having had under consideration House Resolution 347, by a nonrecord vote, report the same to the House with the recommendation that the resolution be adopted.

SUMMARY OF PROVISIONS OF THE RESOLUTION

The resolution provides for a single motion offered by the chairman of the Committee on Ways and Means or his designee to take from the Speaker's table the bill H.R. 622, the Hope for Children Act, with Senate amendments thereto, and concur in each of the Senate amendments with the amendment printed in this report. The rule waives all points of order against the motion. The rule provides that the Senate amendments and the motion shall be considered as read. The rule provides one hour of debate in the House equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means. Finally, the rule provides that the previous question shall be considered as ordered on the motion to final adoption without intervening motion or demand for division of the question.

The waiver of all points of order applies to the motion and therefore applies to the amendment printed in this report as part of the motion.

The waiver of all points of order includes a waiver of clause 7 of rule XVI (prohibiting nongermane amendments). The waiver also includes a waiver of section 302 (prohibiting consideration of legislation providing new budget authority in excess of a committee's allocation of such authority, section 306 (prohibiting consideration of legislation within the Budget Committee's jurisdiction, unless reported by the Budget Committee), and section 401 (prohibiting con-

sideration of legislation providing new entitlement authority which becomes effective during the current fiscal year) of the Congressional Budget Act of 1974.

SUMMARY OF AMENDMENT INCLUDED IN THE MOTION

Thomas—Amends the Internal Revenue Code to: (1) provide for supplemental stimulus payments; and (2) accelerate the 25 percent individual income tax rate. Sets forth provisions specifically applicable to business, including: (1) a special depreciation allowance for certain property acquired after September 10, 2001, and before September 11, 2004; (2) a temporary increase in section 179 expensing; and (3) an increased carryback period for certain losses. Extends varied expiring provisions, including: (1) the credits for qualified electric vehicles, work opportunity credit, and the welfare-to-work credit; and (2) provisions concerning the taxable income limit on percentage depletion for oil and natural gas produced from marginal properties, parity in the application of certain limits to mental health benefits, and the availability of medical savings accounts. Reauthorizes Temporary Assistance for Needy Families supplemental grants for population increases for FY 2002. Provides special allowances for a designated “New York Liberty Zone” for the area damaged in the September 11, 2001, terrorist attacks. Provides a program of temporary extended unemployment compensation. Establishes a displaced worker health insurance credit. Amends the Workforce Investment Act of 1998, with respect to national emergency grants, to authorize grants for employment and training assistance and temporary health care coverage assistance to workers affected by major economic dislocations. Provides for temporary State health care assistance.

TEXT OF AMENDMENT INCLUDED IN THE MOTION

In lieu of the matter proposed to be inserted by the amendment of the Senate to the text of the bill, insert the following:

SECTION 1. SHORT TITLE; ETC.

(a) SHORT TITLE.—This Act may be cited as the “Economic Security and Worker Assistance Act of 2002”.

(b) REFERENCES TO INTERNAL REVENUE CODE OF 1986.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) TABLE OF CONTENTS.—

Sec. 1. Short title; etc.

TITLE I—INDIVIDUAL PROVISIONS

Sec. 101. Supplemental stimulus payments.

Sec. 102. Acceleration of 25 percent individual income tax rate.

TITLE II—BUSINESS PROVISIONS

Sec. 201. Special depreciation allowance for certain property acquired after September 10, 2001, and before September 11, 2004.

Sec. 202. Temporary increase in expensing under section 179.

Sec. 203. Alternative minimum tax reform.

Sec. 204. Carryback of certain net operating losses allowed for 5 years.

Sec. 205. Recovery period for depreciation of certain leasehold improvements.

TITLE III—EXTENSIONS OF CERTAIN EXPIRING PROVISIONS

Subtitle A—Extensions

Sec. 301. Allowance of nonrefundable personal credits against regular and minimum tax liability.

Sec. 302. Credit for qualified electric vehicles.

Sec. 303. Credit for electricity produced from certain renewable resources.

Sec. 304. Work opportunity credit.

- Sec. 305. Welfare-to-work credit.
- Sec. 306. Deduction for clean-fuel vehicles and certain refueling property.
- Sec. 307. Taxable income limit on percentage depletion for oil and natural gas produced from marginal properties.
- Sec. 308. Qualified zone academy bonds.
- Sec. 309. Cover over of tax on distilled spirits.
- Sec. 310. Parity in the application of certain limits to mental health benefits.
- Sec. 311. Temporary special rules for taxation of life insurance companies.
- Sec. 312. Availability of medical savings accounts.
- Sec. 313. Incentives for Indian employment and property on Indian reservations.
- Sec. 314. Subpart F exemption for active financing.
- Sec. 315. Repeal of requirement for approved diesel or kerosene terminals.

Subtitle B—Temporary Assistance for Needy Families

- Sec. 321. Reauthorization of TANF supplemental grants for population increases for fiscal year 2002.
- Sec. 322. 1-year extension of contingency fund under the TANF program.

TITLE IV—TAX INCENTIVES FOR NEW YORK CITY AND DISTRESSED AREAS

- Sec. 401. Tax benefits for area of New York City damaged in terrorist attacks on September 11, 2001.

TITLE V—MISCELLANEOUS AND TECHNICAL PROVISIONS

Subtitle A—General Miscellaneous Provisions

- Sec. 501. Allowance of electronic 1099's.
- Sec. 502. Excluded cancellation of indebtedness income of S corporation not to result in adjustment to basis of stock of shareholders.
- Sec. 503. Limitation on use of nonaccrual experience method of accounting.
- Sec. 504. Exclusion for foster care payments to apply to payments by qualified placement agencies.
- Sec. 505. Interest rate range for additional funding requirements.
- Sec. 506. Adjusted gross income determined by taking into account certain expenses of elementary and secondary school teachers.

Subtitle B—Technical Corrections

- Sec. 511. Amendments related to Economic Growth and Tax Relief Reconciliation Act of 2001.
- Sec. 512. Amendments related to Community Renewal Tax Relief Act of 2000.
- Sec. 513. Amendments related to the Tax Relief Extension Act of 1999.
- Sec. 514. Amendments related to the Taxpayer Relief Act of 1997.
- Sec. 515. Amendment related to the Balanced Budget Act of 1997.
- Sec. 516. Other technical corrections.
- Sec. 517. Clerical amendments.
- Sec. 518. Additional corrections.

TITLE VI—UNEMPLOYMENT ASSISTANCE

- Sec. 601. Short title.
- Sec. 602. Federal-State agreements.
- Sec. 603. Temporary extended unemployment compensation account.
- Sec. 604. Payments to States having agreements for the payment of temporary extended unemployment compensation.
- Sec. 605. Financing provisions.
- Sec. 606. Fraud and overpayments.
- Sec. 607. Definitions.
- Sec. 608. Applicability.
- Sec. 609. Special Reed Act transfer in fiscal year 2002.

TITLE VII—DISPLACED WORKER HEALTH INSURANCE CREDIT

- Sec. 701. Displaced worker health insurance credit.
- Sec. 702. Advance payment of displaced worker health insurance credit.

TITLE VIII—EMPLOYMENT AND TRAINING ASSISTANCE AND TEMPORARY HEALTH CARE COVERAGE ASSISTANCE

- Sec. 801. Employment and training assistance and temporary health care coverage assistance.

TITLE IX—TEMPORARY STATE HEALTH CARE ASSISTANCE

- Sec. 901. Temporary State health care assistance.

TITLE X—SOCIAL SECURITY HELD HARMLESS; BUDGETARY TREATMENT OF ACT

- Sec. 1001. No impact on social security trust funds.
- Sec. 1002. Emergency designation.

TITLE I—INDIVIDUAL PROVISIONS

SEC. 101. SUPPLEMENTAL STIMULUS PAYMENTS.

(a) IN GENERAL.—Section 6428 (relating to acceleration of 10 percent income tax rate bracket benefit for 2001) is amended by adding at the end the following new subsection:

“(f) SUPPLEMENTAL STIMULUS PAYMENTS.—

“(1) IN GENERAL.—Each individual who was an eligible individual for such individual's first taxable year beginning in 2000 and who, before October 16, 2001, filed a return of tax imposed by subtitle A for such taxable year shall be treated as having made a payment against the tax imposed by chapter 1 for

such first taxable year in an amount equal to the supplemental refund amount for such taxable year.

“(2) SUPPLEMENTAL REFUND AMOUNT.—For purposes of this subsection, the supplemental refund amount is an amount equal to the excess (if any) of—

- “(A)(i) \$600 in the case of taxpayers to whom section 1(a) applies,
- “(ii) \$500 in the case of taxpayers to whom section 1(b) applies, and
- “(iii) \$300 in the case of taxpayers to whom subsections (c) or (d) of section 1 applies, over

“(B) the taxpayer’s advance refund amount under subsection (e).

“(3) TIMING OF PAYMENTS.—In the case of any overpayment attributable to this subsection, the Secretary shall, subject to the provisions of this title, refund or credit such overpayment as rapidly as possible.

“(4) NO INTEREST.—No interest shall be allowed on any overpayment attributable to this subsection.”

(b) CONFORMING AMENDMENTS.—

(1) Subparagraph (A) of section 6428(d)(1) is amended by striking “subsection (e)” and inserting “subsections (e) and (f)”.

(2) Subparagraph (B) of section 6428(d)(1) is amended by striking “subsection (e)” and inserting “subsection (e) or (f)”.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

SEC. 102. ACCELERATION OF 25 PERCENT INDIVIDUAL INCOME TAX RATE.

(a) IN GENERAL.—The table contained in paragraph (2) of section 1(i) (relating to reductions in rates after June 30, 2001) is amended—

- (1) by striking “27.0%” and inserting “25.0%”, and
- (2) by striking “26.0%” and inserting “25.0%”.

(b) REDUCTION NOT TO INCREASE MINIMUM TAX.—

(1) Subparagraph (A) of section 55(d)(1) is amended by striking “(\$49,000 in the case of taxable years beginning in 2001, 2002, 2003, and 2004)” and inserting “(\$49,000 in the case of taxable years beginning in 2001, \$52,200 in the case of taxable years beginning in 2002 or 2003, and \$50,700 in the case of taxable years beginning in 2004)”.

(2) Subparagraph (B) of section 55(d)(1) is amended by striking “(\$35,750 in the case of taxable years beginning in 2001, 2002, 2003, and 2004)” and inserting “(\$35,750 in the case of taxable years beginning in 2001, \$37,350 in the case of taxable years beginning in 2002 or 2003, and \$36,600 in the case of taxable years beginning in 2004)”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

(d) SECTION 15 NOT TO APPLY.—No amendment made by this section shall be treated as a change in a rate of tax for purposes of section 15 of the Internal Revenue Code of 1986.

TITLE II—BUSINESS PROVISIONS

SEC. 201. SPECIAL DEPRECIATION ALLOWANCE FOR CERTAIN PROPERTY ACQUIRED AFTER SEPTEMBER 10, 2001, AND BEFORE SEPTEMBER 11, 2004.

(a) IN GENERAL.—Section 168 (relating to accelerated cost recovery system) is amended by adding at the end the following new subsection:

“(k) SPECIAL ALLOWANCE FOR CERTAIN PROPERTY ACQUIRED AFTER SEPTEMBER 10, 2001, AND BEFORE SEPTEMBER 11, 2004.—

“(1) ADDITIONAL ALLOWANCE.—In the case of any qualified property—

“(A) the depreciation deduction provided by section 167(a) for the taxable year in which such property is placed in service shall include an allowance equal to 30 percent of the adjusted basis of the qualified property, and

“(B) the adjusted basis of the qualified property shall be reduced by the amount of such deduction before computing the amount otherwise allowable as a depreciation deduction under this chapter for such taxable year and any subsequent taxable year.

“(2) QUALIFIED PROPERTY.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘qualified property’ means property—

“(i)(I) to which this section applies which has a recovery period of 20 years or less or which is water utility property, or

“(II) which is computer software (as defined in section 167(f)(1)(B)) for which a deduction is allowable under section 167(a) without regard to this subsection,

“(ii) the original use of which commences with the taxpayer after September 10, 2001,

“(iii) which is—

“(I) acquired by the taxpayer after September 10, 2001, and before September 11, 2004, but only if no written binding contract for the acquisition was in effect before September 11, 2001, or

“(II) acquired by the taxpayer pursuant to a written binding contract which was entered into after September 10, 2001, and before September 11, 2004, and

“(iv) which is placed in service by the taxpayer before January 1, 2005, or, in the case of property described in subparagraph (B), before January 1, 2006.

“(B) CERTAIN PROPERTY HAVING LONGER PRODUCTION PERIODS TREATED AS QUALIFIED PROPERTY.—

“(i) IN GENERAL.—The term ‘qualified property’ includes property—

“(I) which meets the requirements of clauses (i), (ii), and (iii) of subparagraph (A),

“(II) which has a recovery period of at least 10 years or is transportation property, and

“(III) which is subject to section 263A by reason of clause (ii) or (iii) of subsection (f)(1)(B) thereof.

“(ii) ONLY PRE-SEPTEMBER 11, 2004, BASIS ELIGIBLE FOR ADDITIONAL ALLOWANCE.—In the case of property which is qualified property solely by reason of clause (i), paragraph (1) shall apply only to the extent of the adjusted basis thereof attributable to manufacture, construction, or production before September 11, 2004.

“(iii) TRANSPORTATION PROPERTY.—For purposes of this subparagraph, the term ‘transportation property’ means tangible personal property used in the trade or business of transporting persons or property.

“(C) EXCEPTIONS.—

“(i) ALTERNATIVE DEPRECIATION PROPERTY.—The term ‘qualified property’ shall not include any property to which the alternative depreciation system under subsection (g) applies, determined—

“(I) without regard to paragraph (7) of subsection (g) (relating to election to have system apply), and

“(II) after application of section 280F(b) (relating to listed property with limited business use).

“(ii) ELECTION OUT.—If a taxpayer makes an election under this clause with respect to any class of property for any taxable year, this subsection shall not apply to all property in such class placed in service during such taxable year.

“(iii) QUALIFIED LEASEHOLD IMPROVEMENT PROPERTY.—The term ‘qualified property’ shall not include any qualified leasehold improvement property (as defined in section 168(e)(6)).

“(D) SPECIAL RULES.—

“(i) SELF-CONSTRUCTED PROPERTY.—In the case of a taxpayer manufacturing, constructing, or producing property for the taxpayer’s own use, the requirements of clause (iii) of subparagraph (A) shall be treated as met if the taxpayer begins manufacturing, constructing, or producing the property after September 10, 2001, and before September 11, 2004.

“(ii) SALE-LEASEBACKS.—For purposes of subparagraph (A)(ii), if property—

“(I) is originally placed in service after September 10, 2001, by a person, and

“(II) sold and leased back by such person within 3 months after the date such property was originally placed in service, such property shall be treated as originally placed in service not earlier than the date on which such property is used under the leaseback referred to in subclause (II).

“(E) COORDINATION WITH SECTION 280F.—For purposes of section 280F—

“(i) AUTOMOBILES.—In the case of a passenger automobile (as defined in section 280F(d)(5)) which is qualified property, the Secretary shall increase the limitation under section 280F(a)(1)(A)(i) by \$4,600.

“(ii) LISTED PROPERTY.—The deduction allowable under paragraph (1) shall be taken into account in computing any recapture amount under section 280F(b)(2).”

(b) ALLOWANCE AGAINST ALTERNATIVE MINIMUM TAX.—

(1) IN GENERAL.—Section 56(a)(1)(A) (relating to depreciation adjustment for alternative minimum tax) is amended by adding at the end the following new clause:

“(iii) ADDITIONAL ALLOWANCE FOR CERTAIN PROPERTY ACQUIRED AFTER SEPTEMBER 10, 2001, AND BEFORE SEPTEMBER 11, 2004.—The deduction under section 168(k) shall be allowed.”

(2) CONFORMING AMENDMENT.—Clause (i) of section 56(a)(1)(A) is amended by striking “clause (ii)” both places it appears and inserting “clauses (ii) and (iii)”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after September 10, 2001, in taxable years ending after such date.

SEC. 202. TEMPORARY INCREASE IN EXPENSING UNDER SECTION 179.

(a) IN GENERAL.—The table contained in section 179(b)(1) (relating to dollar limitation) is amended to read as follows:

“If the taxable year begins in:	The applicable amount is:
2001	\$24,000
2002 or 2003	\$40,000
2004 or thereafter	\$25,000.”

(b) TEMPORARY INCREASE IN AMOUNT OF PROPERTY TRIGGERING PHASEOUT OF MAXIMUM BENEFIT.—Paragraph (2) of section 179(b) is amended by inserting before the period “(\$325,000 in the case of taxable years beginning during 2002 or 2003)”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 203. ALTERNATIVE MINIMUM TAX REFORM.

(a) REPEAL OF PREFERENCE FOR DEPRECIATION.—

(1) Paragraph (1) of section 56(a) is amended by adding at the end the following new subparagraph:

“(E) TERMINATION.—This paragraph shall not apply to property placed in service in taxable years beginning after December 31, 2001.”

(2) Paragraph (5) of section 56(a) is amended by adding at the end: “This paragraph shall not apply to property placed in service in taxable years beginning after December 31, 2001.”

(b) REPEAL OF 90 PERCENT LIMITATION ON FOREIGN TAX CREDITS.—

(1) Subsection (a) of section 59 is amended by striking paragraph (2) and by redesignating paragraphs (3) and (4) as paragraphs (2) and (3), respectively.

(2) Subclause (II) of section 53(d)(1)(B)(i) is amended by striking “and if section 59(a)(2) did not apply”.

(c) REPEAL OF 90 PERCENT LIMITATION ON NET OPERATING LOSS DEDUCTION.—Subparagraph (A) of section 56(d)(1), as amended by section 204, is amended to read as follows:

“(A) the amount of such deduction shall not exceed alternative minimum taxable income determined without regard to such deduction, and”

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 204. CARRYBACK OF CERTAIN NET OPERATING LOSSES ALLOWED FOR 5 YEARS.

(a) IN GENERAL.—Paragraph (1) of section 172(b) (relating to years to which loss may be carried) is amended by adding at the end the following new subparagraph:

“(H) In the case of a taxpayer which has a net operating loss for any taxable year ending during 2001 or 2002, subparagraph (A)(i) shall be applied by substituting ‘5’ for ‘2’ and subparagraph (F) shall not apply.”

(b) ELECTION TO DISREGARD 5-YEAR CARRYBACK.—Section 172 (relating to net operating loss deduction) is amended by redesignating subsection (j) as subsection (k) and by inserting after subsection (i) the following new subsection:

“(j) ELECTION TO DISREGARD 5-YEAR CARRYBACK FOR CERTAIN NET OPERATING LOSSES.—Any taxpayer entitled to a 5-year carryback under subsection (b)(1)(H) from any loss year may elect to have the carryback period with respect to such loss year determined without regard to subsection (b)(1)(H). Such election shall be made in such manner as may be prescribed by the Secretary and shall be made by the due date (including extensions of time) for filing the taxpayer’s return for the taxable year of the net operating loss. Such election, once made for any taxable year, shall be irrevocable for such taxable year.”

(c) TEMPORARY SUSPENSION OF 90 PERCENT LIMIT ON CERTAIN NOL CARRYBACKS.—

(1) IN GENERAL.—Subparagraph (A) of section 56(d)(1) (relating to general rule defining alternative tax net operating loss deduction) is amended to read as follows:

“(A) the amount of such deduction shall not exceed the sum of—

“(i) the lesser of—

“(I) the amount of such deduction attributable to net operating losses (other than the deduction attributable to carrybacks described in clause (ii)(I)), or

“(II) 90 percent of alternative minimum taxable income determined without regard to such deduction, plus

“(ii) the lesser of—

“(I) the amount of such deduction attributable to carrybacks of net operating losses for taxable years ending during 2001 or 2002, or

“(II) alternative minimum taxable income determined without regard to such deduction reduced by the amount determined under clause (i), and”.

(2) **EFFECTIVE DATE.**—The amendment made by this subsection shall apply to taxable years beginning before January 1, 2002.

(d) **EFFECTIVE DATE.**—Except as provided in subsection (c), the amendments made by this section shall apply to net operating losses for taxable years ending after December 31, 2000.

SEC. 205. RECOVERY PERIOD FOR DEPRECIATION OF CERTAIN LEASEHOLD IMPROVEMENTS.

(a) **15-YEAR RECOVERY PERIOD.**—Subparagraph (E) of section 168(e)(3) (relating to 15-year property) is amended by striking “and” at the end of clause (ii), by striking the period at the end of clause (iii) and inserting “, and”, and by adding at the end the following new clause:

“(iv) any qualified leasehold improvement property.”

(b) **QUALIFIED LEASEHOLD IMPROVEMENT PROPERTY.**—Subsection (e) of section 168 is amended by adding at the end the following new paragraph:

“(6) **QUALIFIED LEASEHOLD IMPROVEMENT PROPERTY.**—

“(A) **IN GENERAL.**—The term ‘qualified leasehold improvement property’ means any improvement to an interior portion of a building which is non-residential real property if—

“(i) such improvement is made under or pursuant to a lease (as defined in subsection (h)(7))—

“(I) by the lessee (or any sublessee) of such portion, or

“(II) by the lessor of such portion,

“(ii) such portion is to be occupied exclusively by the lessee (or any sublessee) of such portion, and

“(iii) such improvement is placed in service more than 3 years after the date the building was first placed in service.

“(B) **CERTAIN IMPROVEMENTS NOT INCLUDED.**—Such term shall not include any improvement for which the expenditure is attributable to—

“(i) the enlargement of the building,

“(ii) any elevator or escalator,

“(iii) any structural component benefiting a common area, and

“(iv) the internal structural framework of the building.

“(C) **DEFINITIONS AND SPECIAL RULES.**—For purposes of this paragraph—

“(i) **COMMITMENT TO LEASE TREATED AS LEASE.**—A commitment to enter into a lease shall be treated as a lease, and the parties to such commitment shall be treated as lessor and lessee, respectively.

“(ii) **RELATED PERSONS.**—A lease between related persons shall not be considered a lease. For purposes of the preceding sentence, the term ‘related persons’ means—

“(I) members of an affiliated group (as defined in section 1504), and

“(II) persons having a relationship described in subsection (b) of section 267; except that, for purposes of this clause, the phrase ‘80 percent or more’ shall be substituted for the phrase ‘more than 50 percent’ each place it appears in such subsection.

“(D) **IMPROVEMENTS MADE BY LESSOR.**—

“(i) **IN GENERAL.**—In the case of an improvement made by the person who was the lessor of such improvement when such improvement was placed in service, such improvement shall be qualified leasehold improvement property (if at all) only so long as such improvement is held by such person.

“(ii) **EXCEPTION FOR CHANGES IN FORM OF BUSINESS.**—Property shall not cease to be qualified leasehold improvement property under clause (i) by reason of—

“(I) death,

“(II) a transaction to which section 381(a) applies, or

“(III) a mere change in the form of conducting the trade or business so long as the property is retained in such trade or business as qualified leasehold improvement property and the taxpayer retains a substantial interest in such trade or business.

“(iii) TREATMENT OF FAILURES TO MAINTAIN SUBSTANTIAL INTEREST IN TRADE OR BUSINESS.—In the case of property to which clause (ii)(III) would apply but for the failure of the taxpayer to retain a substantial interest in a trade or business, the remaining adjusted basis of such property shall be depreciated under this section over 39 years.”

(c) REQUIREMENT TO USE STRAIGHT LINE METHOD.—Paragraph (3) of section 168(b) is amended by adding at the end the following new subparagraph:

“(G) Qualified leasehold improvement property described in subsection (e)(6).”

(d) ALTERNATIVE SYSTEM.—The table contained in section 168(g)(3)(B) is amended by adding at the end the following new item:

“(E)(iv) 15”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to qualified leasehold improvement property placed in service after September 10, 2001.

TITLE III—EXTENSIONS OF CERTAIN EXPIRING PROVISIONS

Subtitle A—Extensions

SEC. 301. ALLOWANCE OF NONREFUNDABLE PERSONAL CREDITS AGAINST REGULAR AND MINIMUM TAX LIABILITY.

(a) IN GENERAL.—Paragraph (2) of section 26(a) is amended—

(1) by striking “RULE FOR 2000 AND 2001.—” and inserting “RULE FOR 2000, 2001, 2002, AND 2003.—”, and

(2) by striking “during 2000 or 2001,” and inserting “during 2000, 2001, 2002, or 2003.”

(b) CONFORMING AMENDMENTS.—

(1) Section 904(h) is amended by striking “during 2000 or 2001” and inserting “during 2000, 2001, 2002, or 2003”.

(2) The amendments made by sections 201(b), 202(f), and 618(b) of the Economic Growth and Tax Relief Reconciliation Act of 2001 shall not apply to taxable years beginning during 2002 and 2003.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 302. CREDIT FOR QUALIFIED ELECTRIC VEHICLES.

(a) IN GENERAL.—Section 30 is amended—

(1) in subsection (b)(2)—

(A) by striking “December 31, 2001,” and inserting “December 31, 2003,” and

(B) in subparagraphs (A), (B), and (C), by striking “2002”, “2003”, and “2004”, respectively, and inserting “2004”, “2005”, and “2006”, respectively, and

(2) in subsection (e), by striking “December 31, 2004” and inserting “December 31, 2006”.

(b) CONFORMING AMENDMENTS.—

(1) Subparagraph (C) of section 280F(a)(1) is amended by adding at the end the following new clause:

“(iii) APPLICATION OF SUBPARAGRAPH.—This subparagraph shall apply to property placed in service after August 5, 1997, and before January 1, 2007.”

(2) Subsection (b) of section 971 of the Taxpayer Relief Act of 1997 is amended by striking “and before January 1, 2005”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 2001.

SEC. 303. CREDIT FOR ELECTRICITY PRODUCED FROM CERTAIN RENEWABLE RESOURCES.

(a) IN GENERAL.—Subparagraphs (A), (B), and (C) of section 45(c)(3) are both amended by striking “2002” and inserting “2004”.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to facilities placed in service after December 31, 2001.

SEC. 304. WORK OPPORTUNITY CREDIT.

(a) IN GENERAL.—Subparagraph (B) of section 51(c)(4) is amended by striking “2001” and inserting “2003”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to individuals who begin work for the employer after December 31, 2001.

SEC. 305. WELFARE-TO-WORK CREDIT.

(a) IN GENERAL.—Subsection (f) of section 51A is amended by striking “2001” and inserting “2003”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to individuals who begin work for the employer after December 31, 2001.

SEC. 306. DEDUCTION FOR CLEAN-FUEL VEHICLES AND CERTAIN REFUELING PROPERTY.

(a) IN GENERAL.—Section 179A is amended—

(1) in subsection (b)(1)(B)—

(A) by striking “December 31, 2001,” and inserting “December 31, 2003,” and

(B) in clauses (i), (ii), and (iii), by striking “2002”, “2003”, and “2004”, respectively, and inserting “2004”, “2005”, and “2006”, respectively, and

(2) in subsection (f), by striking “December 31, 2004” and inserting “December 31, 2006”.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply to property placed in service after December 31, 2001.

SEC. 307. TAXABLE INCOME LIMIT ON PERCENTAGE DEPLETION FOR OIL AND NATURAL GAS PRODUCED FROM MARGINAL PROPERTIES.

(a) IN GENERAL.—Subparagraph (H) of section 613A(c)(6) is amended by striking “2002” and inserting “2004”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to taxable years beginning after December 31, 2001.

SEC. 308. QUALIFIED ZONE ACADEMY BONDS.

(a) IN GENERAL.—Paragraph (1) of section 1397E(e) is amended by striking “2000, and 2001” and inserting “2000, 2001, 2002, and 2003”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to obligations issued after the date of the enactment of this Act.

SEC. 309. COVER OVER OF TAX ON DISTILLED SPIRITS.

(a) IN GENERAL.—Paragraph (1) of section 7652(f) is amended by striking “January 1, 2002” and inserting “January 1, 2004”.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to articles brought into the United States after December 31, 2001.

SEC. 310. PARITY IN THE APPLICATION OF CERTAIN LIMITS TO MENTAL HEALTH BENEFITS.

(a) IN GENERAL.—Subsection (f) of section 9812, as amended by the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2002, is amended to read as follows:

“(f) APPLICATION OF SECTION.—This section shall not apply to benefits for services furnished—

“(1) on or after September 30, 2001, and before January 10, 2002, and

“(2) after December 31, 2003.”

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to plan years beginning after December 31, 2000.

SEC. 311. TEMPORARY SPECIAL RULES FOR TAXATION OF LIFE INSURANCE COMPANIES.

(a) REDUCTION IN MUTUAL LIFE INSURANCE COMPANY DEDUCTIONS NOT TO APPLY IN CERTAIN YEARS.—Section 809 (relating to reduction in certain deductions of material life insurance companies) is amended by adding at the end the following:

“(j) DIFFERENTIAL EARNINGS RATE TREATED AS ZERO FOR CERTAIN YEARS.—Notwithstanding subsection (c) or (f), the differential earnings rate shall be treated as zero for purposes of computing both the differential earnings amount and the recomputed differential earnings amount for a mutual life insurance company’s taxable years beginning in 2001, 2002, or 2003.”

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2000.

SEC. 312. AVAILABILITY OF MEDICAL SAVINGS ACCOUNTS.

(a) IN GENERAL.—Paragraphs (2) and (3)(B) of section 220(i) (defining cut-off year) are each amended by striking “2002” each place it appears and inserting “2003”.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 220(j) is amended by striking “1998, 1999, or 2001” each place it appears and inserting “1998, 1999, 2001, or 2002”.

(2) Subparagraph (A) of section 220(j)(4) is amended by striking “and 2001” and inserting “2001, and 2002”.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on January 1, 2002.

SEC. 313. INCENTIVES FOR INDIAN EMPLOYMENT AND PROPERTY ON INDIAN RESERVATIONS.

(a) EMPLOYMENT.—Subsection (f) of section 45A is amended by striking “December 31, 2003” and inserting “December 31, 2004”.

(b) PROPERTY.—Paragraph (8) of section 168(j) is amended by striking “December 31, 2003” and inserting “December 31, 2004”.

SEC. 314. SUBPART F EXEMPTION FOR ACTIVE FINANCING.

(a) IN GENERAL.—

(1) Section 953(e)(10) is amended—

(A) by striking “January 1, 2002” and inserting “January 1, 2007”, and
(B) by striking “December 31, 2001” and inserting “December 31, 2006”.

(2) Section 954(h)(9) is amended by striking “January 1, 2002” and inserting “January 1, 2007”.

(b) LIFE INSURANCE AND ANNUITY CONTRACTS.—

(1) IN GENERAL.—Subparagraph (B) of section 954(i)(4) is amended to read as follows:

“(B) LIFE INSURANCE AND ANNUITY CONTRACTS.—

“(i) IN GENERAL.—Except as provided in clause (ii), the amount of the reserve of a qualifying insurance company or qualifying insurance company branch for any life insurance or annuity contract shall be equal to the greater of—

“(I) the net surrender value of such contract (as defined in section 807(e)(1)(A)), or

“(II) the reserve determined under paragraph (5).

“(ii) RULING REQUEST, ETC.—The amount of the reserve under clause (i) shall be the foreign statement reserve for the contract (less any catastrophe, deficiency, equalization, or similar reserves), if, pursuant to a ruling request submitted by the taxpayer or as provided in published guidance, the Secretary determines that the factors taken into account in determining the foreign statement reserve provide an appropriate means of measuring income.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 315. REPEAL OF REQUIREMENT FOR APPROVED DIESEL OR KEROSENE TERMINALS.

(a) IN GENERAL.—Subsection (e) of section 4101 is hereby repealed.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on January 1, 2002.

Subtitle B—Temporary Assistance for Needy Families

SEC. 321. REAUTHORIZATION OF TANF SUPPLEMENTAL GRANTS FOR POPULATION INCREASES FOR FISCAL YEAR 2002.

Section 403(a)(3) of the Social Security Act (42 U.S.C. 603(a)(3)) is amended by adding at the end the following:

“(H) REAUTHORIZATION OF GRANTS FOR FISCAL YEAR 2002.—Notwithstanding any other provision of this paragraph—

“(i) any State that was a qualifying State under this paragraph for fiscal year 2001 or any prior fiscal year shall be entitled to receive from the Secretary for fiscal year 2002 a grant in an amount equal to the amount required to be paid to the State under this paragraph for the most recent fiscal year in which the State was a qualifying State;

“(ii) subparagraph (G) shall be applied as if ‘2002’ were substituted for ‘2001’; and

“(iii) out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for fiscal year 2002 such sums as are necessary for grants under this subparagraph.”.

SEC. 322. 1-YEAR EXTENSION OF CONTINGENCY FUND UNDER THE TANF PROGRAM.

Section 403(b) of the Social Security Act (42 U.S.C. 603(b)) is amended—

(1) in paragraph (2), by striking “and 2001” and inserting “2001, and 2002”; and

(2) in paragraph (3)(C)(ii), by striking “2001” and inserting “2002”.

TITLE IV—TAX INCENTIVES FOR NEW YORK CITY AND DISTRESSED AREAS

SEC. 401. TAX BENEFITS FOR AREA OF NEW YORK CITY DAMAGED IN TERRORIST ATTACKS ON SEPTEMBER 11, 2001.

(a) IN GENERAL.—Chapter 1 is amended by adding at the end the following new subchapter:

“Subchapter Y—New York Liberty Zone Benefits

“Sec. 1400L. Tax benefits for New York Liberty Zone.

“SEC. 1400L. TAX BENEFITS FOR NEW YORK LIBERTY ZONE.

“(a) EXPANSION OF WORK OPPORTUNITY TAX CREDIT.—

“(1) IN GENERAL.—For purposes of section 51, a New York Liberty Zone business employee shall be treated as a member of a targeted group.

“(2) NEW YORK LIBERTY ZONE BUSINESS EMPLOYEE.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘New York Liberty Zone business employee’ means, with respect to any period, any employee of a New York Liberty Zone business if substantially all the services performed during such period by such employee for such business are performed in the New York Liberty Zone.

“(B) INCLUSION OF CERTAIN EMPLOYEES OUTSIDE THE NEW YORK LIBERTY ZONE.—

“(i) IN GENERAL.—In the case of a New York Liberty Zone business described in subclause (II) of subparagraph (C)(i), the term ‘New York Liberty Zone business employee’ includes any employee of such business (not described in subparagraph (A)) if substantially all the services performed during such period by such employee for such business are performed in the City of New York, New York.

“(ii) LIMITATION.—The number of employees of such a business that are treated as New York Liberty zone business employees on any day by reason of clause (i) shall not exceed the excess of—

“(I) the number of employees of such business on September 11, 2001, in the New York Liberty Zone, over

“(II) the number of New York Liberty Zone business employees (determined without regard to this subparagraph) of such business on the day to which the limitation is being applied.

The Secretary may require any trade or business to have the number determined under subclause (I) verified by the New York State Department of Labor.

“(C) NEW YORK LIBERTY ZONE BUSINESS.—

“(i) IN GENERAL.—The term ‘New York Liberty Zone business’ means any trade or business which is—

“(I) located in the New York Liberty Zone, or

“(II) located in the City of New York, New York, outside the New York Liberty Zone, as a result of the physical destruction or damage of such place of business by the September 11, 2001, terrorist attack.

“(ii) CREDIT NOT ALLOWED FOR LARGE BUSINESSES.—The term ‘New York Liberty Zone business’ shall not include any trade or business for any taxable year if such trade or business employed an average of more than 200 employees on business days during the taxable year.

“(D) SPECIAL RULES FOR DETERMINING AMOUNT OF CREDIT.—For purposes of applying subpart F of part IV of subchapter B of this chapter to wages paid or incurred to any New York Liberty Zone business employee—

“(i) section 51(a) shall be applied by substituting ‘qualified wages’ for ‘qualified first-year wages’,

“(ii) the rules of section 52 shall apply for purposes of determining the number of employees under subparagraph (B),

“(iii) subsections (c)(4) and (i)(2) of section 51 shall not apply, and

“(iv) in determining qualified wages, the following shall apply in lieu of section 51(b):

“(I) QUALIFIED WAGES.—The term ‘qualified wages’ means wages paid or incurred by the employer to individuals who are New York Liberty Zone business employees of such employer for work performed during calendar year 2002 or 2003.

“(II) ONLY FIRST \$6,000 OF WAGES PER CALENDAR YEAR TAKEN INTO ACCOUNT.—The amount of the qualified wages which may be taken into account with respect to any individual shall not exceed \$6,000 per calendar year.

“(b) SPECIAL ALLOWANCE FOR CERTAIN PROPERTY ACQUIRED AFTER SEPTEMBER 10, 2001.—

“(1) ADDITIONAL ALLOWANCE.—In the case of any qualified New York Liberty Zone property—

“(A) the depreciation deduction provided by section 167(a) for the taxable year in which such property is placed in service shall include an allowance equal to 30 percent of the adjusted basis of such property, and

“(B) the adjusted basis of the qualified New York Liberty Zone property shall be reduced by the amount of such deduction before computing the amount otherwise allowable as a depreciation deduction under this chapter for such taxable year and any subsequent taxable year.

“(2) QUALIFIED NEW YORK LIBERTY ZONE PROPERTY.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘qualified New York Liberty Zone property’ means property—

“(i)(I) to which section 168 applies which has a recovery period of 20 years or less or which is water utility property,

“(II) which is computer software (as defined in section 167(f)(1)(B)) for which a deduction is allowable under section 167(a) without regard to this subsection, or

“(III) which is nonresidential real property, or residential rental property, which is described in subparagraph (B),

“(ii) substantially all of the use of which is in the New York Liberty Zone and is in the active conduct of a trade or business by the taxpayer in such Zone,

“(iii) the original use of which in the New York Liberty Zone commences with the taxpayer after September 10, 2001,

“(iv) which is acquired by the taxpayer by purchase (as defined in section 179(d)) after September 10, 2001, but only if no written binding contract for the acquisition was in effect before September 11, 2001, and

“(v) which is placed in service by the taxpayer on or before the termination date.

The term ‘termination date’ means December 31, 2006 (December 31, 2009, in the case of nonresidential real property and residential rental property).

“(B) ELIGIBLE REAL PROPERTY.—Nonresidential real property or residential rental property is described in this subparagraph only to the extent it rehabilitates real property damaged, or replaces real property destroyed or condemned, as a result of the September 11, 2001, terrorist attack. For purposes of the preceding sentence, property shall be treated as replacing real property destroyed or condemned if, as part of an integrated plan, such property replaces real property which is included in a continuous area which includes real property destroyed or condemned.

“(C) EXCEPTIONS.—

“(i) ALTERNATIVE DEPRECIATION PROPERTY.—The term ‘qualified New York Liberty Zone property’ shall not include any property to which the alternative depreciation system under section 168(g) applies, determined—

“(I) without regard to paragraph (7) of section 168(g) (relating to election to have system apply), and

“(II) after application of section 280F(b) (relating to listed property with limited business use).

“(ii) 30 PERCENT ADDITIONAL ALLOWANCE PROPERTY.—Such term shall not include property to which section 168(k) applies.

“(iii) QUALIFIED LEASEHOLD IMPROVEMENT PROPERTY.—Such term shall not include any qualified leasehold improvement property (as defined in section 168(e)(6)).

“(iv) ELECTION OUT.—If a taxpayer makes an election under this clause with respect to any class of property for any taxable year, this subsection shall not apply to all property in such class placed in service during such taxable year.

“(D) SPECIAL RULES.—

“(i) SELF-CONSTRUCTED PROPERTY.—In the case of a taxpayer manufacturing, constructing, or producing property for the taxpayer’s own use, the requirements of clause (iv) of subparagraph (A) shall be treat-

ed as met if the taxpayer begins manufacturing, constructing, or producing the property after September 10, 2001.

“(ii) SALE-LEASEBACKS.—For purposes of subparagraph (A)(iii), if property—

“(I) is originally placed in service after September 10, 2001, by a person, and

“(II) is sold and leased back by such person within 3 months after the date such property was originally placed in service, such property shall be treated as originally placed in service not earlier than the date on which such property is used under the leaseback referred to in subclause (II).

“(E) ALLOWANCE AGAINST ALTERNATIVE MINIMUM TAX.—The deduction allowed by this subsection shall be allowed in determining alternative minimum taxable income under section 55.

“(c) 5-YEAR RECOVERY PERIOD FOR DEPRECIATION OF CERTAIN LEASEHOLD IMPROVEMENTS.—

“(1) IN GENERAL.—For purposes of section 168, the term ‘5-year property’ includes any qualified New York Liberty Zone leasehold improvement property.

“(2) QUALIFIED NEW YORK LIBERTY ZONE LEASEHOLD IMPROVEMENT PROPERTY.—For purposes of this section, the term ‘qualified New York Liberty Zone leasehold improvement property’ means qualified leasehold improvement property (as defined in section 168(e)(6)) if—

“(A) such building is located in the New York Liberty Zone,

“(B) such improvement is placed in service after September 10, 2001, and before January 1, 2007, and

“(C) no written binding contract for such improvement was in effect before September 11, 2001.

“(3) REQUIREMENT TO USE STRAIGHT LINE METHOD.—The applicable depreciation method under section 168 shall be the straight line method in the case of qualified New York Liberty Zone leasehold improvement property.

“(4) 9-YEAR RECOVERY PERIOD UNDER ALTERNATIVE SYSTEM.—For purposes of section 168(g), the class life of qualified New York Liberty Zone leasehold improvement property shall be 9 years.

“(d) TAX-EXEMPT BOND FINANCING.—

“(1) IN GENERAL.—For purposes of this title, any qualified New York Liberty Bond shall be treated as an exempt facility bond.

“(2) QUALIFIED NEW YORK LIBERTY BOND.—For purposes of this subsection, the term ‘qualified New York Liberty Bond’ means any bond issued as part of an issue if—

“(A) 95 percent or more of the net proceeds (as defined in section 150(a)(3)) of such issue are to be used for qualified project costs,

“(B) such bond is issued by the State of New York or any political subdivision thereof,

“(C) the Governor or the Mayor designates such bond for purposes of this section, and

“(D) such bond is issued after the the date of the enactment of this section and before January 1, 2005.

“(3) LIMITATIONS ON AMOUNT OF BONDS.—

“(A) AGGREGATE AMOUNT DESIGNATED.—The maximum aggregate face amount of bonds which may be designated under this subsection shall not exceed \$8,000,000,000, of which not to exceed \$4,000,000,000 may be designated by the Governor and not to exceed \$4,000,000,000 may be designated by the Mayor.

“(B) SPECIFIC LIMITATIONS.—The aggregate face amount of bonds issued which are to be used for—

“(i) costs for property located outside the New York Liberty Zone shall not exceed \$2,000,000,000,

“(ii) residential rental property shall not exceed \$1,600,000,000, and

“(iii) costs with respect to property used for retail sales of tangible property and functionally related and subordinate property shall not exceed \$800,000,000.

The limitations under clauses (i), (ii), and (iii) shall be allocated proportionately between the bonds designated by the Governor and the bonds designated by the Mayor in proportion to the respective amounts of bonds designated by each.

“(C) MOVABLE PROPERTY.—No bonds shall be issued which are to be used for movable fixtures and equipment.

“(4) QUALIFIED PROJECT COSTS.—For purposes of this subsection—

“(A) IN GENERAL.—The term ‘qualified project costs’ means the cost of acquisition, construction, reconstruction, and renovation of—

“(i) nonresidential real property and residential rental property (including fixed tenant improvements associated with such property) located in the New York Liberty Zone, and

“(ii) public utility property (as defined in section 168(i)(10)) located in the New York Liberty Zone.

“(B) COSTS FOR CERTAIN PROPERTY OUTSIDE ZONE INCLUDED.—Such term includes the cost of acquisition, construction, reconstruction, and renovation of nonresidential real property (including fixed tenant improvements associated with such property) located outside the New York Liberty Zone but within the City of New York, New York, if such property is part of a project which consists of at least 100,000 square feet of usable office or other commercial space located in a single building or multiple adjacent buildings.

“(5) SPECIAL RULES.—In applying this title to any qualified New York Liberty Bond, the following modifications shall apply:

“(A) Section 146 (relating to volume cap) shall not apply.

“(B) Section 147(d) (relating to acquisition of existing property not permitted) shall be applied by substituting ‘50 percent’ for ‘15 percent’ each place it appears.

“(C) Section 148(f)(4)(C) (relating to exception from rebate for certain proceeds to be used to finance construction expenditures) shall apply to the available construction proceeds of bonds issued under this section.

“(D) Repayments of principal on financing provided by the issue—

“(i) may not be used to provide financing, and

“(ii) must be used not later than the close of the 1st semiannual period beginning after the date of the repayment to redeem bonds which are part of such issue.

The requirement of clause (ii) shall be treated as met with respect to amounts received within 10 years after the date of issuance of the issue (or, in the case of a refunding bond, the date of issuance of the original bond) if such amounts are used by the close of such 10 years to redeem bonds which are part of such issue.

“(E) Section 57(a)(5) shall not apply.

“(6) SEPARATE ISSUE TREATMENT OF PORTIONS OF AN ISSUE.—This subsection shall not apply to the portion of an issue which (if issued as a separate issue) would be treated as a qualified bond or as a bond that is not a private activity bond (determined without regard to paragraph (1)), if the issuer elects to so treat such portion.

“(e) ADVANCE REFUNDINGS OF CERTAIN TAX-EXEMPT BONDS.—

“(1) IN GENERAL.—With respect to a bond described in paragraph (2) issued as part of an issue 90 percent (95 percent in the case of a bond described in paragraph (2)(C)) or more of the net proceeds (as defined in section 150(a)(3)) of which were used to finance facilities located within the City of New York, New York (or property which is functionally related and subordinate to facilities located within the City of New York for the furnishing of water), one additional advanced refunding after the date of the enactment of this section and before January 1, 2005, shall be allowed under the applicable rules of section 149(d) if—

“(A) the Governor or the Mayor designates the advance refunding bond for purposes of this subsection, and

“(B) the requirements of paragraph (4) are met.

“(2) BONDS DESCRIBED.—A bond is described in this paragraph if such bond was outstanding on September 11, 2001, and is—

“(A) a State or local bond (as defined in section 103(c)(1)) which is a general obligation of the City of New York, New York,

“(B) a State or local bond (as so defined) other than a private activity bond (as defined in section 141(a)) issued by the New York Municipal Water Finance Authority or the Metropolitan Transportation Authority of the State of New York, or

“(C) a qualified 501(c)(3) bond (as defined in section 145(a)) which is a qualified hospital bond (as defined in section 145(c)) issued by or on behalf of the State of New York or the City of New York, New York.

“(3) AGGREGATE LIMIT.—For purposes of paragraph (1), the maximum aggregate face amount of bonds which may be designated under this subsection by the Governor shall not exceed \$4,500,000,000 and the maximum aggregate face amount of bonds which may be designated under this subsection by the Mayor shall not exceed \$4,500,000,000.

“(4) ADDITIONAL REQUIREMENTS.—The requirements of this paragraph are met with respect to any advance refunding of a bond described in paragraph (2) if—

“(A) no advance refundings of such bond would be allowed under any provision of law after September 11, 2001,

“(B) the advance refunding bond is the only other outstanding bond with respect to the refunded bond, and

“(C) the requirements of section 148 are met with respect to all bonds issued under this subsection.

“(f) INCREASE IN EXPENSING UNDER SECTION 179.—

“(1) IN GENERAL.—For purposes of section 179—

“(A) the limitation under section 179(b)(1) shall be increased by the lesser of—

“(i) \$35,000, or

“(ii) the cost of section 179 property which is qualified New York Liberty Zone property placed in service during the taxable year, and

“(B) the amount taken into account under section 179(b)(2) with respect to any section 179 property which is qualified New York Liberty Zone property shall be 50 percent of the cost thereof.

“(2) QUALIFIED NEW YORK LIBERTY ZONE PROPERTY.—For purposes of this subsection, the term ‘qualified New York Liberty Zone property’ has the meaning given such term by subsection (b)(2).

“(3) RECAPTURE.—Rules similar to the rules under section 179(d)(10) shall apply with respect to any qualified New York Liberty Zone property which ceases to be used in the New York Liberty Zone.

“(g) EXTENSION OF REPLACEMENT PERIOD FOR NONRECOGNITION OF GAIN.—Notwithstanding subsections (g) and (h) of section 1033, clause (i) of section 1033(a)(2)(B) shall be applied by substituting ‘5 years’ for ‘2 years’ with respect to property which is compulsorily or involuntarily converted as a result of the terrorist attacks on September 11, 2001, in the New York Liberty Zone but only if substantially all of the use of the replacement property is in the City of New York, New York.

“(h) NEW YORK LIBERTY ZONE.—For purposes of this section, the term ‘New York Liberty Zone’ means the area located on or south of Canal Street, East Broadway (east of its intersection with Canal Street), or Grand Street (east of its intersection with East Broadway) in the Borough of Manhattan in the City of New York, New York.

“(i) REFERENCES TO GOVERNOR AND MAYOR.—For purposes of this section, the terms ‘Governor’ and ‘Mayor’ mean the Governor of the State of New York and the Mayor of the City of New York, New York, respectively.”

(b) CREDIT ALLOWED AGAINST REGULAR AND MINIMUM TAX.—

(1) IN GENERAL.—Subsection (c) of section 38 (relating to limitation based on amount of tax) is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

“(3) SPECIAL RULES FOR NEW YORK LIBERTY ZONE BUSINESS EMPLOYEE CREDIT.—

“(A) IN GENERAL.—In the case of the New York Liberty Zone business employee credit—

“(i) this section and section 39 shall be applied separately with respect to such credit, and

“(ii) in applying paragraph (1) to such credit—

“(I) the tentative minimum tax shall be treated as being zero, and

“(II) the limitation under paragraph (1) (as modified by subclause (I)) shall be reduced by the credit allowed under subsection (a) for the taxable year (other than the New York Liberty Zone business employee credit).

“(B) NEW YORK LIBERTY ZONE BUSINESS EMPLOYEE CREDIT.—For purposes of this subsection, the term ‘New York Liberty Zone business employee credit’ means the portion of work opportunity credit under section 51 determined under section 1400L(a).”

(2) CONFORMING AMENDMENT.—Subclause (II) of section 38(c)(2)(A)(ii) is amended by inserting “or the New York Liberty Zone business employee credit” after “employment credit”.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years ending after December 31, 2001.

(c) CLERICAL AMENDMENT.—The table of subchapters for chapter 1 is amended by adding at the end the following new item:

“Subchapter Y—New York Liberty Zone Benefits.”

TITLE V—MISCELLANEOUS AND TECHNICAL PROVISIONS

Subtitle A—General Miscellaneous Provisions

SEC. 501. ALLOWANCE OF ELECTRONIC 1099'S.

Any person required to furnish a statement under any section of subpart B of part III of subchapter A of chapter 61 of the Internal Revenue Code of 1986 for any taxable year ending after the date of the enactment of this Act, may electronically furnish such statement (without regard to any first class mailing requirement) to any recipient who has consented to the electronic provision of the statement in a manner similar to the one permitted under regulations issued under section 6051 of such Code or in such other manner as provided by the Secretary.

SEC. 502. EXCLUDED CANCELLATION OF INDEBTEDNESS INCOME OF S CORPORATION NOT TO RESULT IN ADJUSTMENT TO BASIS OF STOCK OF SHAREHOLDERS.

(a) IN GENERAL.—Subparagraph (A) of section 108(d)(7) (relating to certain provisions to be applied at corporate level) is amended by inserting before the period “, including by not taking into account under section 1366(a) any amount excluded under subsection (a) of this section”.

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendment made by this section shall apply to discharges of indebtedness after October 11, 2001, in taxable years ending after such date.

(2) EXCEPTION.—The amendment made by this section shall not apply to any discharge of indebtedness before March 1, 2002, pursuant to a plan of reorganization filed with a bankruptcy court on or before October 11, 2001.

SEC. 503. LIMITATION ON USE OF NONACCRUAL EXPERIENCE METHOD OF ACCOUNTING.

(a) IN GENERAL.—Paragraph (5) of section 448(d) is amended to read as follows:
“(5) SPECIAL RULE FOR CERTAIN SERVICES.—

“(A) IN GENERAL.—In the case of any person using an accrual method of accounting with respect to amounts to be received for the performance of services by such person, such person shall not be required to accrue any portion of such amounts which (on the basis of such person’s experience) will not be collected if—

“(i) such services are in fields referred to in paragraph (2)(A), or

“(ii) such person meets the gross receipts test of subsection (c) for all prior taxable years.

“(B) EXCEPTION.—This paragraph shall not apply to any amount if interest is required to be paid on such amount or there is any penalty for failure to timely pay such amount.

“(C) REGULATIONS.—The Secretary shall prescribe regulations to permit taxpayers to determine amounts referred to in subparagraph (A) using computations or formulas which, based on experience, accurately reflect the amount of income that will not be collected by such person. A taxpayer may adopt, or request consent of the Secretary to change to, a computation or formula that clearly reflects the taxpayer’s experience. A request under the preceding sentence shall be approved if such computation or formula clearly reflects the taxpayer’s experience.”.

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendments made by this section shall apply to taxable years ending after the date of the enactment of this Act.

(2) CHANGE IN METHOD OF ACCOUNTING.—In the case of any taxpayer required by the amendments made by this section to change its method of accounting for its first taxable year ending after the date of the enactment of this Act—

(A) such change shall be treated as initiated by the taxpayer,

(B) such change shall be treated as made with the consent of the Secretary of the Treasury, and

(C) the net amount of the adjustments required to be taken into account by the taxpayer under section 481 of the Internal Revenue Code of 1986 shall be taken into account over a period of 4 years (or if less, the number of taxable years that the taxpayer used the method permitted under section 448(d)(5) of such Code as in effect before the date of the enactment of this Act) beginning with such first taxable year.

SEC. 504. EXCLUSION FOR FOSTER CARE PAYMENTS TO APPLY TO PAYMENTS BY QUALIFIED PLACEMENT AGENCIES.

(a) IN GENERAL.—The matter preceding subparagraph (B) of section 131(b)(1) (defining qualified foster care payment) is amended to read as follows:

“(1) IN GENERAL.—The term ‘qualified foster care payment’ means any payment made pursuant to a foster care program of a State or political subdivision thereof—

“(A) which is paid by—

“(i) a State or political subdivision thereof, or

“(ii) a qualified foster care placement agency, and”.

(b) QUALIFIED FOSTER INDIVIDUALS TO INCLUDE INDIVIDUALS PLACED BY QUALIFIED PLACEMENT AGENCIES.—Subparagraph (B) of section 131(b)(2) (defining qualified foster individual) is amended to read as follows:

“(B) a qualified foster care placement agency.”

(c) QUALIFIED FOSTER CARE PLACEMENT AGENCY DEFINED.—Subsection (b) of section 131 is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

“(3) QUALIFIED FOSTER CARE PLACEMENT AGENCY.—The term ‘qualified foster care placement agency’ means any placement agency which is licensed or certified by—

“(A) a State or political subdivision thereof, or

“(B) an entity designated by a State or political subdivision thereof,

for the foster care program of such State or political subdivision to make foster care payments to providers of foster care.”

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 505. INTEREST RATE RANGE FOR ADDITIONAL FUNDING REQUIREMENTS.

(a) AMENDMENTS TO THE INTERNAL REVENUE CODE OF 1986.—

(1) SPECIAL RULE.—Clause (i) of section 412(l)(7)(C) (relating to interest rate) is amended by adding at the end the following new subclause:

“(III) SPECIAL RULE FOR 2002 AND 2003.—For a plan year beginning in 2002 or 2003, notwithstanding subclause (I), in the case that the rate of interest used under subsection (b)(5) exceeds the highest rate permitted under subclause (I), the rate of interest used to determine current liability under this subsection may exceed the rate of interest otherwise permitted under subclause (I); except that such rate of interest shall not exceed 120 percent of the weighted average referred to in subsection (b)(5)(B)(ii).”

(2) QUARTERLY CONTRIBUTIONS.—Subsection (m) of section 412 is amended by adding at the end the following new paragraph:

“(7) SPECIAL RULES FOR 2002 AND 2004.—In any case in which the interest rate used to determine current liability is determined under subsection (l)(7)(C)(i)(III)—

“(A) 2002.—For purposes of applying paragraphs (1) and (4)(B)(ii) for plan years beginning in 2002, the current liability for the preceding plan year shall be redetermined using 120 percent as the specified percentage determined under subsection (l)(7)(C)(i)(II).

“(B) 2004.—For purposes of applying paragraphs (1) and (4)(B)(ii) for plan years beginning in 2004, the current liability for the preceding plan year shall be redetermined using 105 percent as the specified percentage determined under subsection (l)(7)(C)(i)(II).”

(b) AMENDMENTS TO THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—

(1) SPECIAL RULE.—Clause (i) of section 302(d)(7)(C) of such Act (29 U.S.C. 1082(d)(7)(C)) is amended by adding at the end the following new subclause:

“(III) SPECIAL RULE FOR 2002 AND 2003.—For a plan year beginning in 2002 or 2003, notwithstanding subclause (I), in the case that the rate of interest used under subsection (b)(5) exceeds the highest rate permitted under subclause (I), the rate of interest used to determine current liability under this subsection may exceed the rate of interest otherwise permitted under subclause (I); except that such rate of interest shall not exceed 120 percent of the weighted average referred to in subsection (b)(5)(B)(ii).”

(2) QUARTERLY CONTRIBUTIONS.—Subsection (e) of section 302 of such Act (29 U.S.C. 1082) is amended by adding at the end the following new paragraph:

“(7) SPECIAL RULES FOR 2002 AND 2004.—In any case in which the interest rate used to determine current liability is determined under subsection (d)(7)(C)(i)(III)—

“(A) 2002.—For purposes of applying paragraphs (1) and (4)(B)(ii) for plan years beginning in 2002, the current liability for the preceding plan year shall be redetermined using 120 percent as the specified percentage determined under subsection (d)(7)(C)(i)(II).

“(B) 2004.—For purposes of applying paragraphs (1) and (4)(B)(ii) for plan years beginning in 2004, the current liability for the preceding plan year shall be redetermined using 105 percent as the specified percentage determined under subsection (d)(7)(C)(i)(II).”

(c) PBGC.—Clause (iii) of section 4006(a)(3)(E) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(E)) is amended by adding at the end the following new subclause:

“(IV) In the case of plan years beginning after December 31, 2001, and before January 1, 2004, subclause (II) shall be applied by substituting ‘100 percent’ for ‘85 percent’. Subclause (III) shall be applied for such years without regard to the preceding sentence. Any reference to this clause by any other sections or subsections shall be treated as a reference to this clause without regard to this subclause.”

SEC. 506. ADJUSTED GROSS INCOME DETERMINED BY TAKING INTO ACCOUNT CERTAIN EXPENSES OF ELEMENTARY AND SECONDARY SCHOOL TEACHERS.

(a) IN GENERAL.—Section 62(a)(2) (relating to certain trade and business deductions of employees) is amended by adding at the end the following:

“(D) CERTAIN EXPENSES OF ELEMENTARY AND SECONDARY SCHOOL TEACHERS.—In the case of taxable years beginning during 2002 or 2003, the deductions allowed by section 162 which consist of expenses, not in excess of \$250, paid or incurred by an eligible educator in connection with books, supplies (other than nonathletic supplies for courses of instruction in health or physical education), computer equipment (including related software and services) and other equipment, and supplementary materials used by the eligible educator in the classroom.”.

(b) ELIGIBLE EDUCATOR.—Section 62 is amended by adding at the end the following:

“(d) DEFINITION; SPECIAL RULES.—

“(1) ELIGIBLE EDUCATOR.—

“(A) IN GENERAL.—For purposes of subsection (a)(2)(D), the term ‘eligible educator’ means, with respect to any taxable year, an individual who is a kindergarten through grade 12 teacher, instructor, counselor, principal, or aide in a school for at least 900 hours during a school year.

“(B) SCHOOL.—The term ‘school’ means any school which provides elementary education or secondary education (kindergarten through grade 12), as determined under State law.

“(2) COORDINATION WITH EXCLUSIONS.—A deduction shall be allowed under subsection (a)(2)(D) for expenses only to the extent the amount of such expenses exceeds the amount excludable under section 135, 529(c)(1), or 530(d)(2) for the taxable year.”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

Subtitle B—Technical Corrections

SEC. 511. AMENDMENTS RELATED TO ECONOMIC GROWTH AND TAX RELIEF RECONCILIATION ACT OF 2001.

(a) AMENDMENTS RELATED TO SECTION 101 OF THE ACT.—

(1) IN GENERAL.—Subsection (b) of section 6428 is amended to read as follows:

“(b) CREDIT TREATED AS NONREFUNDABLE PERSONAL CREDIT.—For purposes of this title, the credit allowed under this section shall be treated as a credit allowable under subpart A of part IV of subchapter A of chapter 1.”.

(2) CONFORMING AMENDMENTS.—

(A) Subsection (d) of section 6428 is amended to read as follows:

“(d) COORDINATION WITH ADVANCE REFUNDS OF CREDIT.—

“(1) IN GENERAL.—The amount of credit which would (but for this paragraph) be allowable under this section shall be reduced (but not below zero) by the aggregate refunds and credits made or allowed to the taxpayer under subsection (e). Any failure to so reduce the credit shall be treated as arising out of a mathematical or clerical error and assessed according to section 6213(b)(1).

“(2) JOINT RETURNS.—In the case of a refund or credit made or allowed under subsection (e) with respect to a joint return, half of such refund or credit shall be treated as having been made or allowed to each individual filing such return.”.

- (B) Paragraph (2) of section 6428(e) is amended to read as follows:
- “(2) ADVANCE REFUND AMOUNT.—For purposes of paragraph (1), the advance refund amount is the amount that would have been allowed as a credit under this section for such first taxable year if—
- “(A) this section (other than subsections (b) and (d) and this subsection) had applied to such taxable year, and
- “(B) the credit for such taxable year were not allowed to exceed the excess (if any) of—
- “(i) the sum of the regular tax liability (as defined in section 26(b)) plus the tax imposed by section 55, over
- “(ii) the sum of the credits allowable under part IV of subchapter A of chapter 1 (other than the credits allowable under subpart C thereof, relating to refundable credits).”
- (b) AMENDMENT RELATED TO SECTION 201 OF THE ACT.—Subparagraph (B) of section 24(d)(1) is amended by striking “amount of credit allowed by this section” and inserting “aggregate amount of credits allowed by this subpart”.
- (c) AMENDMENTS RELATED TO SECTION 202 OF THE ACT.—
- (1) CORRECTIONS TO CREDIT FOR ADOPTION EXPENSES.—
- (A) Paragraph (1) of section 23(a) is amended to read as follows:
- “(1) IN GENERAL.—In the case of an individual, there shall be allowed as a credit against the tax imposed by this chapter the amount of the qualified adoption expenses paid or incurred by the taxpayer.”
- (B) Subsection (a) of section 23 is amended by adding at the end the following new paragraph:
- “(3) \$10,000 CREDIT FOR ADOPTION OF CHILD WITH SPECIAL NEEDS REGARDLESS OF EXPENSES.—In the case of an adoption of a child with special needs which becomes final during a taxable year, the taxpayer shall be treated as having paid during such year qualified adoption expenses with respect to such adoption in an amount equal to the excess (if any) of \$10,000 over the aggregate qualified adoption expenses actually paid or incurred by the taxpayer with respect to such adoption during such taxable year and all prior taxable years.”
- (C) Paragraph (2) of section 23(a) is amended by striking the last sentence.
- (D) Paragraph (1) of section 23(b) is amended by striking “subsection (a)(1)(A)” and inserting “subsection (a)”.
- (E) Subsection (i) of section 23 is amended by striking “the dollar limitation in subsection (b)(1)” and inserting “the dollar amounts in subsections (a)(3) and (b)(1)”.
- (F) Expenses paid or incurred during any taxable year beginning before January 1, 2002, may be taken into account in determining the credit under section 23 of the Internal Revenue Code of 1986 only to the extent the aggregate of such expenses does not exceed the applicable limitation under section 23(b)(1) of such Code as in effect on the day before the date of the enactment of the Economic Growth and Tax Relief Reconciliation Act of 2001.
- (2) CORRECTIONS TO EXCLUSION FOR EMPLOYER-PROVIDED ADOPTION ASSISTANCE.—
- (A) Subsection (a) of section 137 is amended to read as follows:
- “(a) EXCLUSION.—
- “(1) IN GENERAL.—Gross income of an employee does not include amounts paid or expenses incurred by the employer for qualified adoption expenses in connection with the adoption of a child by an employee if such amounts are furnished pursuant to an adoption assistance program.
- “(2) \$10,000 EXCLUSION FOR ADOPTION OF CHILD WITH SPECIAL NEEDS REGARDLESS OF EXPENSES.—In the case of an adoption of a child with special needs which becomes final during a taxable year, the qualified adoption expenses with respect to such adoption for such year shall be increased by an amount equal to the excess (if any) of \$10,000 over the actual aggregate qualified adoption expenses with respect to such adoption during such taxable year and all prior taxable years.”
- (B) Paragraph (2) of section 137(b) is amended by striking “subsection (a)(1)” and inserting “subsection (a)”.
- (3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2002; except that the amendments made by paragraphs (1)(C), (1)(D), and (2)(B) shall apply to taxable years beginning after December 31, 2001.
- (d) AMENDMENTS RELATED TO SECTION 205 OF THE ACT.—
- (1) Section 45F(d)(4)(B) is amended by striking “subpart A, B, or D of this part” and inserting “this chapter or for purposes of section 55”.

- (2) Section 38(b)(15) is amended by striking “45F” and inserting “45F(a)”.
- (e) AMENDMENTS RELATED TO SECTION 301 OF THE ACT.—
- (1) Section 63(c)(2) is amended—
- (A) in subparagraph (A), by striking “subparagraph (C)” and inserting “subparagraph (D)”;
- (B) by striking “or” at the end of subparagraph (B),
- (C) by redesignating subparagraph (C) as subparagraph (D),
- (D) by inserting after subparagraph (B) the following new subparagraph: “(C) one-half of the amount allowable under subparagraph (A) in the case of a married individual filing a separate return, or”, and
- (E) by inserting the following flush sentence at the end: “If any amount determined under subparagraph (A) is not a multiple of \$50, such amount shall be rounded to the next lowest multiple of \$50.”
- (2)(A) Section 63(c)(4) is amended by striking “paragraph (2) or (5)” and inserting “paragraph (2)(B), (2)(D), or (5)”.
- (B) Section 63(c)(4)(B)(i) is amended by striking “paragraph (2)” and inserting “paragraph (2)(B), (2)(D)”.
- (C) Section 63(c)(4) is amended by striking the flush sentence at the end (as added by section 301(c)(2) of Public Law 107–17).
- (f) AMENDMENT RELATED TO SECTION 401 OF THE ACT.—Section 530(d)(4)(B)(iv) is amended by striking “because the taxpayer elected under paragraph (2)(C) to waive the application of paragraph (2)” and inserting “by application of paragraph (2)(C)(i)(II)”.
- (g) AMENDMENTS RELATED TO SECTION 511 OF THE ACT.—
- (1) Section 2511(c) is amended by striking “taxable gift under section 2503,” and inserting “transfer of property by gift,”.
- (2) Section 2101(b) is amended by striking the last sentence.
- (h) AMENDMENT RELATED TO SECTION 532 OF THE ACT.—Section 2016 is amended by striking “any State, any possession of the United States, or the District of Columbia,”.
- (i) AMENDMENTS RELATING TO SECTION 602 OF THE ACT.—
- (1) Subparagraph (A) of section 408(q)(3) is amended to read as follows: “(A) QUALIFIED EMPLOYER PLAN.—The term ‘qualified employer plan’ has the meaning given such term by section 72(p)(4)(A)(i); except that such term shall also include an eligible deferred compensation plan (as defined in section 457(b)) of an eligible employer described in section 457(e)(1)(A).”.
- (2) Section 4(c) of Employee Retirement Income Security Act of 1974 is amended—
- (A) by inserting “and part 5 (relating to administration and enforcement)” before the period at the end, and
- (B) by adding at the end the following new sentence: “Such provisions shall apply to such accounts and annuities in a manner similar to their application to a simplified employee pension under section 408(k) of the Internal Revenue Code of 1986.”.
- (j) AMENDMENTS RELATING TO SECTION 611 OF THE ACT.—
- (1) Section 408(k) is amended—
- (A) in paragraph (2)(C) by striking “\$300” and inserting “\$450”, and
- (B) in paragraph (8) by striking “\$300” both places it appears and inserting “\$450”.
- (2) Section 409(o)(1)(C)(ii) is amended—
- (A) by striking “\$500,000” both places it appears and inserting “\$800,000”, and
- (B) by striking “\$100,000” and inserting “\$160,000”.
- (3) Section 611(i) of the Economic Growth and Tax Relief Reconciliation Act of 2001 is amended by adding at the end the following new paragraph: “(3) SPECIAL RULE.—In the case of plan that, on June 7, 2001, incorporated by reference the limitation of section 415(b)(1)(A) of the Internal Revenue Code of 1986, section 411(d)(6) of such Code and section 204(g)(1) of the Employee Retirement Income Security Act of 1974 do not apply to a plan amendment that—
- “(A) is adopted on or before June 30, 2002,
- “(B) reduces benefits to the level that would have applied without regard to the amendments made by subsection (a) of this section, and
- “(C) is effective no earlier than the years described in paragraph (2).”.
- (k) AMENDMENTS RELATING TO SECTION 613 OF THE ACT.—
- (1) Section 416(c)(1)(C)(iii) is amended by striking “EXCEPTION FOR FROZEN PLAN” and inserting “EXCEPTION FOR PLAN UNDER WHICH NO KEY EMPLOYEE (OR FORMER KEY EMPLOYEE) BENEFITS FOR PLAN YEAR”.

- (2) Section 416(g)(3)(B) is amended by striking “separation from service” and inserting “severance from employment”.
- (l) AMENDMENTS RELATING TO SECTIONS 614 AND 616 OF THE ACT.—
- (1) Section 404(a)(12) is amended by striking “(9),” and inserting “(9) and subsection (h)(1)(C),”.
- (2) Section 404(n) is amended by striking “subsection (a),” and inserting “subsection (a) or paragraph (1)(C) of subsection (h)”.
- (3) Section 402(h)(2)(A) is amended by striking “15 percent” and inserting “25 percent”.
- (4) Section 404(a)(7)(C) is amended to read as follows:
- “(C) PARAGRAPH NOT TO APPLY IN CERTAIN CASES.—
- “(i) BENEFICIARY TEST.—This paragraph shall not have the effect of reducing the amount otherwise deductible under paragraphs (1), (2), and (3), if no employee is a beneficiary under more than 1 trust or under a trust and an annuity plan.
- “(ii) ELECTIVE DEFERRALS.—If, in connection with 1 or more defined contribution plans and 1 or more defined benefit plans, no amounts (other than elective deferrals (as defined in section 402(g)(3))) are contributed to any of the defined contribution plans for the taxable year, then subparagraph (A) shall not apply with respect to any of such defined contribution plans and defined benefit plans.”.
- (m) AMENDMENT RELATING TO SECTION 618 OF THE ACT.—Section 25B(d)(2)(A) is amended to read as follows:
- “(A) IN GENERAL.—The qualified retirement savings contributions determined under paragraph (1) shall be reduced (but not below zero) by the aggregate distributions received by the individual during the testing period from any entity of a type to which contributions under paragraph (1) may be made. The preceding sentence shall not apply to the portion of any distribution which is not includible in gross income by reason of a trustee-to-trustee transfer or a rollover distribution.”.
- (n) AMENDMENTS RELATING TO SECTION 619 OF THE ACT.—
- (1) Section 45E(e)(1) is amended by striking “(n)” and inserting “(m)”.
- (2) Section 619(d) of the Economic Growth and Tax Relief Reconciliation Act of 2001 is amended by striking “established” and inserting “first effective”.
- (o) AMENDMENTS RELATING TO SECTION 631 OF THE ACT.—
- (1) Section 402(g)(1) is amended by adding at the end the following:
- “(C) CATCH-UP CONTRIBUTIONS.—In addition to subparagraph (A), in the case of an eligible participant (as defined in section 414(v)), gross income shall not include elective deferrals in excess of the applicable dollar amount under subparagraph (B) to the extent that the amount of such elective deferrals does not exceed the applicable dollar amount under section 414(v)(2)(B)(i) for the taxable year (without regard to the treatment of the elective deferrals by an applicable employer plan under section 414(v)).”.
- (2) Section 401(a)(30) is amended by striking “402(g)(1)” and inserting “402(g)(1)(A)”.
- (3) Section 414(v)(2) is amended by adding at the end the following:
- “(D) AGGREGATION OF PLANS.—For purposes of this paragraph, plans described in clauses (i), (ii), and (iv) of paragraph (6)(A) that are maintained by the same employer (as determined under subsection (b), (c), (m) or (o)) shall be treated as a single plan, and plans described in clause (iii) of paragraph (6)(A) that are maintained by the same employer shall be treated as a single plan.”.
- (4) Section 414(v)(3)(A)(i) is amended by striking “section 402(g), 402(h), 403(b), 404(a), 404(h), 408(k), 408(p), 415, or 457” and inserting “section 401(a)(30), 402(h), 403(b), 408, 415(c), and 457(b)(2) (determined without regard to section 457(b)(3))”.
- (5) Section 414(v)(3)(B) is amended by striking “section 401(a)(4), 401(a)(26), 401(k)(3), 401(k)(11), 401(k)(12), 403(b)(12), 408(k), 408(p), 408B, 410(b), or 416” and inserting “section 401(a)(4), 401(k)(3), 401(k)(11), 403(b)(12), 408(k), 410(b), or 416”.
- (6) Section 414(v)(4)(B) is amended by inserting before the period at the end the following: “, except that a plan described in clause (i) of section 410(b)(6)(C) shall not be treated as a plan of the employer until the expiration of the transition period with respect to such plan (as determined under clause (ii) of such section)”.
- (7) Section 414(v)(5) is amended—
- (A) by striking “, with respect to any plan year,” in the matter preceding subparagraph (A),
- (B) by amending subparagraph (A) to read as follows:

- “(A) who would attain age 50 by the end of the taxable year,” and
 (C) in subparagraph (B) by striking “plan year” and inserting “plan (or other applicable) year”.
- (8) Section 414(v)(6)(C) is amended to read as follows:
 “(C) EXCEPTION FOR SECTION 457 PLANS.—This subsection shall not apply to a participant for any year for which a higher limitation applies to the participant under section 457(b)(3).”
- (9) Section 457(e) is amended by adding at the end the following new paragraph:
 “(18) COORDINATION WITH CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OLDER.— In the case of an individual who is an eligible participant (as defined by section 414(v)) and who is a participant in an eligible deferred compensation plan of an employer described in paragraph (1)(A), subsections (b)(3) and (c) shall be applied by substituting for the amount otherwise determined under the applicable subsection the greater of—
 “(A) the sum of—
 “(i) the plan ceiling established for purposes of subsection (b)(2) (without regard to subsection (b)(3)), plus
 “(ii) the applicable dollar amount for the taxable year determined under section 414(v)(2)(B)(i), or
 “(B) the amount determined under the applicable subsection (without regard to this paragraph).”.
- (p) AMENDMENTS RELATING TO SECTION 632 OF THE ACT.—
 (1) Section 403(b)(1) is amended in the matter following subparagraph (E) by striking “then amounts contributed” and all that follows and inserting the following:
 “then contributions and other additions by such employer for such annuity contract shall be excluded from the gross income of the employee for the taxable year to the extent that the aggregate of such contributions and additions (when expressed as an annual addition (within the meaning of section 415(c)(2))) does not exceed the applicable limit under section 415. The amount actually distributed to any distributee under such contract shall be taxable to the distributee (in the year in which so distributed) under section 72 (relating to annuities). For purposes of applying the rules of this subsection to contributions and other additions by an employer for a taxable year, amounts transferred to a contract described in this paragraph by reason of a rollover contribution described in paragraph (8) of this subsection or section 408(d)(3)(A)(ii) shall not be considered contributed by such employer.”.
- (2) Section 403(b) is amended by striking paragraph (6).
- (3) Section 403(b)(3) is amended—
 (A) in the first sentence by inserting the following before the period at the end: “, and which precedes the taxable year by no more than five years”, and
 (B) in the second sentence by striking “or any amount received by a former employee after the fifth taxable year following the taxable year in which such employee was terminated”.
- (4) Section 415(c)(7) is amended to read as follows:
 “(7) SPECIAL RULES RELATING TO CHURCH PLANS.—
 “(A) ALTERNATIVE CONTRIBUTION LIMITATION.—
 “(i) IN GENERAL.—Notwithstanding any other provision of this subsection, at the election of a participant who is an employee of a church or a convention or association of churches, including an organization described in section 414(e)(3)(B)(ii), contributions and other additions for an annuity contract or retirement income account described in section 403(b) with respect to such participant, when expressed as an annual addition to such participant’s account, shall be treated as not exceeding the limitation of paragraph (1) if such annual addition is not in excess of \$10,000.
 “(ii) \$40,000 AGGREGATE LIMITATION.—The total amount of additions with respect to any participant which may be taken into account for purposes of this subparagraph for all years may not exceed \$40,000.
 “(B) NUMBER OF YEARS OF SERVICE FOR DULY ORDAINED, COMMISSIONED, OR LICENSED MINISTERS OR LAY EMPLOYEES.—For purposes of this paragraph—
 “(i) all years of service by—
 “(I) a duly ordained, commissioned, or licensed minister of a church, or
 “(II) a lay person,

as an employee of a church, a convention or association of churches, including an organization described in section 414(e)(3)(B)(ii), shall be considered as years of service for 1 employer, and

“(ii) all amounts contributed for annuity contracts by each such church (or convention or association of churches) or such organization during such years for such minister or lay person shall be considered to have been contributed by 1 employer.

“(C) FOREIGN MISSIONARIES.—In the case of any individual described in subparagraph (D) performing services outside the United States, contributions and other additions for an annuity contract or retirement income account described in section 403(b) with respect to such employee, when expressed as an annual addition to such employee’s account, shall not be treated as exceeding the limitation of paragraph (1) if such annual addition is not in excess of the greater of \$3,000 or the employee’s includible compensation determined under section 403(b)(3).

“(D) ANNUAL ADDITION.—For purposes of this paragraph, the term ‘annual addition’ has the meaning given such term by paragraph (2).

“(E) CHURCH, CONVENTION OR ASSOCIATION OF CHURCHES.—For purposes of this paragraph, the terms ‘church’ and ‘convention or association of churches’ have the same meaning as when used in section 414(e).”.

(5) Section 457(e)(5) is amended to read as follows:

“(5) INCLUDIBLE COMPENSATION.—The term ‘includible compensation’ has the meaning given to the term ‘participant’s compensation’ by section 415(c)(3).”.

(6) Section 402(g)(7)(B) is amended by striking “2001.” and inserting “2001).”.

(q) AMENDMENTS RELATING TO SECTION 643 OF THE ACT.—

(1) Section 401(a)(31)(C)(i) is amended by inserting “is a qualified trust which is part of a plan which is a defined contribution plan and” before “agrees”.

(2) Section 402(c)(2) is amended by adding at the end the following flush sentence:

“In the case of a transfer described in subparagraph (A) or (B), the amount transferred shall be treated as consisting first of the portion of such distribution that is includible in gross income (determined without regard to paragraph (1)).”.

(r) AMENDMENTS RELATING TO SECTION 648 OF THE ACT.—

(1) Section 417(e) is amended—

(A) in paragraph (1) by striking “exceed the dollar limit under section 411(a)(11)(A)” and inserting “exceed the amount that can be distributed without the participant’s consent under section 411(a)(11)”, and

(B) in paragraph (2)(A) by striking “exceeds the dollar limit under section 411(a)(11)(A)” and inserting “exceeds the amount that can be distributed without the participant’s consent under section 411(a)(11)”.

(2) Section 205(g) of the Employee Retirement Income Security Act of 1974 is amended—

(A) in paragraph (1) by striking “exceed the dollar limit under section 203(e)(1)” and inserting “exceed the amount that can be distributed without the participant’s consent under section 203(e)”, and

(B) in paragraph (2)(A) by striking “exceeds the dollar limit under section 203(e)(1)” and inserting “exceeds the amount that can be distributed without the participant’s consent under section 203(e)”.

(s) AMENDMENT RELATING TO SECTION 652 OF THE ACT.—Section 404(a)(1)(D)(iv) is amended by striking “PLANS MAINTAINED BY PROFESSIONAL SERVICE EMPLOYERS” and inserting “SPECIAL RULE FOR TERMINATING PLANS”.

(t) AMENDMENTS RELATING TO SECTION 657 OF THE ACT.—Section 404(c)(3) of the Employee Retirement Income Security Act of 1974 is amended—

(1) by striking “the earlier of” in subparagraph (A) the second place it appears, and

(2) by striking “if the transfer” and inserting “a transfer that”.

(u) AMENDMENTS RELATING TO SECTION 659 OF THE ACT.—

(1) Section 4980F is amended—

(A) in subsection (e)(1) by striking “written notice” and inserting “the notice described in paragraph (2)”,

(B) by amending subsection (f)(2)(A) to read as follows:

“(A) any defined benefit plan described in section 401(a) which includes a trust exempt from tax under section 501(a), or”, and

(C) in subsection (f)(3) by striking “significantly” both places it appears.

(2) Section 204(h)(9) of the Employee Retirement Income Security Act of 1974 is amended by striking “significantly” both places it appears.

(3) Section 659(c)(3)(B) of the Economic Growth and Tax Relief Reconciliation Act of 2001 is amended by striking “(or)” and inserting “(and)”.

(v) AMENDMENTS RELATING TO SECTION 661 OF THE ACT.—

(1) Section 412(c)(9)(B) is amended—

(A) in clause (ii) by striking “125 percent” and inserting “100 percent”, and

(B) by adding at the end the following new clause:

“(iv) LIMITATION.—A change in funding method to use a prior year valuation, as provided in clause (ii), may not be made unless as of the valuation date within the prior plan year, the value of the assets of the plan are not less than 125 percent of the plan’s current liability (as defined in paragraph (7)(B)).”.

(2) Section 302(c)(9)(B) of the Employee Retirement Income Security Act of 1974 is amended—

(A) in clause (ii) by striking “125 percent” and inserting “100 percent”, and

(B) by adding at the end the following new clause:

“(iv) A change in funding method to use a prior year valuation, as provided in clause (ii), may not be made unless as of the valuation date within the prior plan year, the value of the assets of the plan are not less than 125 percent of the plan’s current liability (as defined in paragraph (7)(B)).”.

(w) AMENDMENTS RELATING TO SECTION 662 OF THE ACT.—

(1) Section 404(k) is amended—

(A) in paragraph (1) by striking “during the taxable year”,

(B) in paragraph (2)(B) by striking “(A)(iii)” and inserting “(A)(iv)”,

(C) in paragraph (4)(B) by striking “(iii)” and inserting “(iv)”, and

(D) by redesignating subparagraph (B) of paragraph (4) (as amended by subparagraph (C)) as subparagraph (C) of paragraph (4) and by inserting after subparagraph (A) the following new subparagraph:

“(B) REINVESTMENT DIVIDENDS.—For purposes of subparagraph (A), an applicable dividend reinvested pursuant to clause (iii)(II) of paragraph (2)(A) shall be treated as paid in the taxable year of the corporation in which such dividend is reinvested in qualifying employer securities or in which the election under clause (iii) of paragraph (2)(A) is made, whichever is later.”.

(2) Section 404(k) is amended by adding at the end the following new paragraph:

“(7) FULL VESTING.—In accordance with section 411, an applicable dividend described in clause (iii)(II) of paragraph (2)(A) shall be subject to the requirements of section 411(a)(1).”.

(x) EFFECTIVE DATE.—Except as provided in subsection (c), the amendments made by this section shall take effect as if included in the provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 to which they relate.

SEC. 512. AMENDMENTS RELATED TO COMMUNITY RENEWAL TAX RELIEF ACT OF 2000.

(a) AMENDMENT RELATED TO SECTION 101 OF THE ACT.—Section 469(i)(3)(E) is amended by striking clauses (ii), (iii), and (iv) and inserting the following:

“(ii) second to the portion of such loss to which subparagraph (C) applies,

“(iii) third to the portion of the passive activity credit to which subparagraph (B) or (D) does not apply,

“(iv) fourth to the portion of such credit to which subparagraph (B) applies, and”.

(b) AMENDMENT RELATED TO SECTION 306 OF THE ACT.—Section 151(c)(6)(C) is amended—

(1) by striking “FOR EARNED INCOME CREDIT.—For purposes of section 32, an” and inserting “FOR PRINCIPAL PLACE OF ABODE REQUIREMENTS.—An”, and

(2) by striking “requirement of section 32(c)(3)(A)(ii)” and inserting “principal place of abode requirements of section 2(a)(1)(B), section 2(b)(1)(A), and section 32(c)(3)(A)(ii)”.

(c) AMENDMENT RELATED TO SECTION 309 OF THE ACT.—Subparagraph (A) of section 358(h)(1) is amended to read as follows:

“(A) which is assumed by another person as part of the exchange, and”.

(d) AMENDMENTS RELATED TO SECTION 401 OF THE ACT.—

(1)(A) Section 1234A is amended by inserting “or” after the comma at the end of paragraph (1), by striking “or” at the end of paragraph (2), and by striking paragraph (3).

(B)(i) Section 1234B is amended in subsection (a)(1) and in subsection (b) by striking “sale or exchange” the first place it appears in each subsection and inserting “sale, exchange, or termination”.

(ii) Section 1234B is amended by adding at the end the following new subsection:

“(f) CROSS REFERENCE.—

“For special rules relating to dealer securities futures contracts, see section 1256.”

(2) Section 1091(e) is amended—

(A) in the heading, by striking “SECURITIES.—” and inserting “SECURITIES AND SECURITIES FUTURES CONTRACTS TO SELL.—”,

(B) by inserting after “closing of a short sale of” the following: “(or a securities futures contract to sell)”,

(C) in paragraph (2), by inserting after “short sale of” the following: “(or securities futures contracts to sell)”, and

(D) by adding at the end the following:

“For purposes of this subsection, the term ‘securities futures contract’ has the meaning provided by section 1234B(c).”

(3) Section 1233(e)(2) is amended by striking “and” at the end of subparagraph (C), by striking the period and inserting “; and” at the end of subparagraph (D), and by adding at the end the following:

“(E) entering into a securities futures contract (as so defined) to sell shall be treated as entering into a short sale, and the sale, exchange, or termination of a securities futures contract to sell shall be treated as the closing of a short sale.”

(e) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the provisions of the Community Renewal Tax Relief Act of 2000 to which they relate.

SEC. 513. AMENDMENTS RELATED TO THE TAX RELIEF EXTENSION ACT OF 1999.

(a) AMENDMENTS RELATED TO SECTION 545 OF THE ACT.—Section 857(b)(7) is amended—

(1) in clause (i) of subparagraph (B), by striking “the amount of which” and inserting “to the extent the amount of the rents”, and

(2) in subparagraph (C), by striking “if the amount” and inserting “to the extent the amount”.

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in section 545 of the Tax Relief Extension Act of 1999.

SEC. 514. AMENDMENTS RELATED TO THE TAXPAYER RELIEF ACT OF 1997.

(a) AMENDMENTS RELATED TO SECTION 311 OF THE ACT.—Section 311(e) of the Taxpayer Relief Act of 1997 (Public Law 105–34; 111 Stat. 836) is amended—

(1) in paragraph (2)(A), by striking “recognized” and inserting “included in gross income”, and

(2) by adding at the end the following new paragraph:

“(5) DISPOSITION OF INTEREST IN PASSIVE ACTIVITY.—Section 469(g)(1)(A) of the Internal Revenue Code of 1986 shall not apply by reason of an election made under paragraph (1).”

(b) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in section 311 of the Taxpayer Relief Act of 1997.

SEC. 515. AMENDMENT RELATED TO THE BALANCED BUDGET ACT OF 1997.

(a) AMENDMENT RELATED TO SECTION 4006 OF THE ACT.—Section 26(b)(2) is amended by striking “and” at the end of subparagraph (P), by striking the period and inserting “, and” at the end of subparagraph (Q), and by adding at the end the following new subparagraph:

“(R) section 138(c)(2) (relating to penalty for distributions from Medicare+Choice MSA not used for qualified medical expenses if minimum balance not maintained).”

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect as if included in section 4006 of the Balanced Budget Act of 1997.

SEC. 516. OTHER TECHNICAL CORRECTIONS.

(a) COORDINATION OF ADVANCED PAYMENTS OF EARNED INCOME CREDIT.—

(1) Section 32(g)(2) is amended by striking “subpart” and inserting “part”.

(2) The amendment made by this subsection shall take effect as if included in section 474 of the Tax Reform Act of 1984.

(b) DISCLOSURE BY SOCIAL SECURITY ADMINISTRATION TO FEDERAL CHILD SUPPORT AGENCIES.—

(1) Section 6103(l)(8) is amended—

(A) in the heading, by striking “STATE AND LOCAL” and inserting “FEDERAL, STATE, AND LOCAL”, and

(B) in subparagraph (A), by inserting “Federal or” before “State or local”.

(2) The amendments made by this subsection shall take effect on the date of the enactment of this Act.

(c) TREATMENT OF SETTLEMENTS UNDER PARTNERSHIP AUDIT RULES.—

(1) The following provisions are each amended by inserting “or the Attorney General (or his delegate)” after “Secretary” each place it appears:

(A) Paragraphs (1) and (2) of section 6224(c).

(B) Section 6229(f)(2).

(C) Section 6231(b)(1)(C).

(D) Section 6234(g)(4)(A).

(2) The amendments made by this subsection shall apply with respect to settlement agreements entered into after the date of the enactment of this Act.

(d) AMENDMENT RELATED TO PROCEDURE AND ADMINISTRATION.—

(1) Section 6331(k)(3) (relating to no levy while certain offers pending or installment agreement pending or in effect) is amended to read as follows:

“(3) CERTAIN RULES TO APPLY.—Rules similar to the rules of—

“(A) paragraphs (3) and (4) of subsection (i), and

“(B) except in the case of paragraph (2)(C), paragraph (5) of subsection (i),

shall apply for purposes of this subsection.”.

(2) The amendment made by this subsection shall take effect on the date of the enactment of this Act.

(e) MODIFIED ENDOWMENT CONTRACTS.—Paragraph (2) of section 318(a) of the Community Renewal Tax Relief Act of 2000 (114 Stat. 2763A–645) is repealed, and clause (ii) of section 7702A(c)(3)(A) shall read and be applied as if the amendment made by such paragraph had not been enacted.

SEC. 517. CLERICAL AMENDMENTS.

(1) The subsection (g) of section 25B that relates to termination is redesignated as subsection (h).

(2) Section 51A(c)(1) is amended by striking “51(d)(10)” and inserting “51(d)(11)”.

(3) Section 172(b)(1)(F)(i) is amended—

(A) by striking “3 years” and inserting “3 taxable years”, and

(B) by striking “2 years” and inserting “2 taxable years”.

(4) Section 351(h)(1) is amended by inserting a comma after “liability”.

(5) Section 741 is amended by striking “which have appreciated substantially in value”.

(6) Section 857(b)(7)(B)(i) is amended by striking “subsection 856(d)” and inserting “section 856(d)”.

(7) Section 1394(c)(2) is amended by striking “subparagraph (A)” and inserting “paragraph (1)”.

(8)(A) Section 6227(d) is amended by striking “subsection (b)” and inserting “subsection (c)”.

(B) Section 6228 is amended—

(i) in subsection (a)(1), by striking “subsection (b) of section 6227” and inserting “subsection (c) of section 6227”,

(ii) in subsection (a)(3)(A), by striking “subsection (b) of”, and

(iii) in subsections (b)(1) and (b)(2)(A), by striking “subsection (c) of section 6227” and inserting “subsection (d) of section 6227”.

(C) Section 6231(b)(2)(B)(i) is amended by striking “section 6227(c)” and inserting “section 6227(d)”.

(9) Section 1221(b)(1)(B)(i) is amended by striking “1256(b))” and inserting “1256(b)))”.

(10) Section 618(b)(2) of the Economic Growth and Tax Relief Reconciliation Act of 2001 (Public Law 107–16; 115 Stat. 108) is amended—

(A) in subparagraph (A) by striking “203(d)” and inserting “202(f)”, and

(B) in subparagraphs (C), (D), and (E) by striking “203” and inserting “202(f)”.

(11)(A) Section 525 of the Ticket to Work and Work Incentives Improvement Act of 1999 (Public Law 106–170; 113 Stat. 1928) is amended by striking “7200” and inserting “7201”.

(B) Section 532(c)(2) of such Act (113 Stat. 1930) is amended—

(i) in subparagraph (D), by striking “341(d)(3)” and inserting “341(d)”, and

(ii) in subparagraph (Q), by striking “954(c)(1)(B)(iii)” and inserting “954(c)(1)(B)”.

SEC. 518. ADDITIONAL CORRECTIONS.

(a) AMENDMENTS RELATED TO SECTION 202 OF THE ECONOMIC GROWTH AND TAX RELIEF RECONCILIATION ACT OF 2001.—

- (1) Subsection (h) of section 23 is amended—
 (A) by striking “subsection (a)(1)(B)” and inserting “subsection (a)(3)”, and
 (B) by adding at the end the following new flush sentence:
 “If any amount as increased under the preceding sentence is not a multiple of \$10, such amount shall be rounded to the nearest multiple of \$10.”
- (2) Subsection (f) of section 137 is amended by adding at the end the following new flush sentence:
 “If any amount as increased under the preceding sentence is not a multiple of \$10, such amount shall be rounded to the nearest multiple of \$10.”
- (b) AMENDMENTS RELATED TO SECTION 204 OF THE ECONOMIC GROWTH AND TAX RELIEF RECONCILIATION ACT OF 2001.—Section 21(d)(2) is amended—
 (1) in subparagraph (A) by striking “\$200” and inserting “\$250”, and
 (2) in subparagraph (B) by striking “\$400” and inserting “\$500”.
- (c) EFFECTIVE DATE.—The amendments made by this section shall take effect as if included in the provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 to which they relate.

TITLE VI—UNEMPLOYMENT ASSISTANCE

SEC. 601. SHORT TITLE.

This title may be cited as the “Temporary Extended Unemployment Compensation Act of 2002”.

SEC. 602. FEDERAL-STATE AGREEMENTS.

- (a) IN GENERAL.—Any State which desires to do so may enter into and participate in an agreement under this title with the Secretary of Labor (in this title referred to as the “Secretary”). Any State which is a party to an agreement under this title may, upon providing 30 days’ written notice to the Secretary, terminate such agreement.
- (b) PROVISIONS OF AGREEMENT.—Any agreement under subsection (a) shall provide that the State agency of the State will make payments of temporary extended unemployment compensation to individuals who—
 (1) have exhausted all rights to regular compensation under the State law or under Federal law with respect to a benefit year (excluding any benefit year that ended before March 15, 2001);
 (2) have no rights to regular compensation or extended compensation with respect to a week under such law or any other State unemployment compensation law or to compensation under any other Federal law;
 (3) are not receiving compensation with respect to such week under the unemployment compensation law of Canada; and
 (4) filed an initial claim for regular compensation on or after March 15, 2001.
- (c) EXHAUSTION OF BENEFITS.—For purposes of subsection (b)(1), an individual shall be deemed to have exhausted such individual’s rights to regular compensation under a State law when—
 (1) no payments of regular compensation can be made under such law because such individual has received all regular compensation available to such individual based on employment or wages during such individual’s base period; or
 (2) such individual’s rights to such compensation have been terminated by reason of the expiration of the benefit year with respect to which such rights existed.
- (d) WEEKLY BENEFIT AMOUNT, ETC.—For purposes of any agreement under this title—
 (1) the amount of temporary extended unemployment compensation which shall be payable to any individual for any week of total unemployment shall be equal to the amount of the regular compensation (including dependents’ allowances) payable to such individual during such individual’s benefit year under the State law for a week of total unemployment;
 (2) the terms and conditions of the State law which apply to claims for regular compensation and to the payment thereof shall apply to claims for temporary extended unemployment compensation and the payment thereof, except—
 (A) that an individual shall not be eligible for temporary extended unemployment compensation under this title unless, in the base period with respect to which the individual exhausted all rights to regular compensation under the State law, the individual had 20 weeks of full-time insured employment or the equivalent in insured wages, as determined under the provisions of the State law implementing section 202(a)(5) of the Federal-State

Extended Unemployment Compensation Act of 1970 (26 U.S.C. 3304 note); and

(B) where otherwise inconsistent with the provisions of this title or with the regulations or operating instructions of the Secretary promulgated to carry out this title; and

(3) the maximum amount of temporary extended unemployment compensation payable to any individual for whom a temporary extended unemployment compensation account is established under section 603 shall not exceed the amount established in such account for such individual.

(e) ELECTION BY STATES.—Notwithstanding any other provision of Federal law (and if State law permits), the Governor of a State that is in an extended benefit period may provide for the payment of temporary extended unemployment compensation in lieu of extended compensation to individuals who otherwise meet the requirements of this section. Such an election shall not require a State to trigger off an extended benefit period.

SEC. 603. TEMPORARY EXTENDED UNEMPLOYMENT COMPENSATION ACCOUNT.

(a) IN GENERAL.—Any agreement under this title shall provide that the State will establish, for each eligible individual who files an application for temporary extended unemployment compensation, a temporary extended unemployment compensation account with respect to such individual's benefit year.

(b) AMOUNT IN ACCOUNT.—

(1) IN GENERAL.—The amount established in an account under subsection (a) shall be equal to the lesser of—

(A) 50 percent of the total amount of regular compensation (including dependents' allowances) payable to the individual during the individual's benefit year under such law, or

(B) 13 times the individual's average weekly benefit amount for the benefit year.

(2) WEEKLY BENEFIT AMOUNT.—For purposes of this subsection, an individual's weekly benefit amount for any week is the amount of regular compensation (including dependents' allowances) under the State law payable to such individual for such week for total unemployment.

(c) SPECIAL RULE.—

(1) IN GENERAL.—Notwithstanding any other provision of this section, if, at the time that the individual's account is exhausted, such individual's State is in an extended benefit period (as determined under paragraph (2)), then, such account shall be augmented by an amount equal to the amount originally established in such account (as determined under subsection (b)(1)).

(2) EXTENDED BENEFIT PERIOD.—For purposes of paragraph (1), a State shall be considered to be in an extended benefit period if, at the time of exhaustion (as described in paragraph (1))—

(A) such a period is then in effect for such State under the Federal-State Extended Unemployment Compensation Act of 1970; or

(B) such a period would then be in effect for such State under such Act if section 203(d) of such Act were applied as if it had been amended by striking "5" each place it appears and inserting "4".

SEC. 604. PAYMENTS TO STATES HAVING AGREEMENTS FOR THE PAYMENT OF TEMPORARY EXTENDED UNEMPLOYMENT COMPENSATION.

(a) GENERAL RULE.—There shall be paid to each State that has entered into an agreement under this title an amount equal to 100 percent of the temporary extended unemployment compensation paid to individuals by the State pursuant to such agreement.

(b) TREATMENT OF REIMBURSABLE COMPENSATION.—No payment shall be made to any State under this section in respect of any compensation to the extent the State is entitled to reimbursement in respect of such compensation under the provisions of any Federal law other than this title or chapter 85 of title 5, United States Code. A State shall not be entitled to any reimbursement under such chapter 85 in respect of any compensation to the extent the State is entitled to reimbursement under this title in respect of such compensation.

(c) DETERMINATION OF AMOUNT.—Sums payable to any State by reason of such State having an agreement under this title shall be payable, either in advance or by way of reimbursement (as may be determined by the Secretary), in such amounts as the Secretary estimates the State will be entitled to receive under this title for each calendar month, reduced or increased, as the case may be, by any amount by which the Secretary finds that the Secretary's estimates for any prior calendar month were greater or less than the amounts which should have been paid to the State. Such estimates may be made on the basis of such statistical, sampling, or

other method as may be agreed upon by the Secretary and the State agency of the State involved.

SEC. 605. FINANCING PROVISIONS.

(a) **IN GENERAL.**—Funds in the extended unemployment compensation account (as established by section 905(a) of the Social Security Act (42 U.S.C. 1105(a)) of the Unemployment Trust Fund (as established by section 904(a) of such Act (42 U.S.C. 1104(a)) shall be used for the making of payments to States having agreements entered into under this title.

(b) **CERTIFICATION.**—The Secretary shall from time to time certify to the Secretary of the Treasury for payment to each State the sums payable to such State under this title. The Secretary of the Treasury, prior to audit or settlement by the General Accounting Office, shall make payments to the State in accordance with such certification, by transfers from the extended unemployment compensation account (as so established) to the account of such State in the Unemployment Trust Fund (as so established).

(c) **ASSISTANCE TO STATES.**—There are appropriated out of the employment security administration account (as established by section 901(a) of the Social Security Act (42 U.S.C. 1101(a)) of the Unemployment Trust Fund, without fiscal year limitation, such funds as may be necessary for purposes of assisting States (as provided in title III of the Social Security Act (42 U.S.C. 501 et seq.)) in meeting the costs of administration of agreements under this title.

(d) **APPROPRIATIONS FOR CERTAIN PAYMENTS.**—There are appropriated from the general fund of the Treasury, without fiscal year limitation, to the extended unemployment compensation account (as so established) of the Unemployment Trust Fund (as so established) such sums as the Secretary estimates to be necessary to make the payments under this section in respect of—

- (1) compensation payable under chapter 85 of title 5, United States Code; and
- (2) compensation payable on the basis of services to which section 3309(a)(1) of the Internal Revenue Code of 1986 applies.

Amounts appropriated pursuant to the preceding sentence shall not be required to be repaid.

SEC. 606. FRAUD AND OVERPAYMENTS.

(a) **IN GENERAL.**—If an individual knowingly has made, or caused to be made by another, a false statement or representation of a material fact, or knowingly has failed, or caused another to fail, to disclose a material fact, and as a result of such false statement or representation or of such nondisclosure such individual has received an amount of temporary extended unemployment compensation under this title to which he was not entitled, such individual—

- (1) shall be ineligible for further temporary extended unemployment compensation under this title in accordance with the provisions of the applicable State unemployment compensation law relating to fraud in connection with a claim for unemployment compensation; and
- (2) shall be subject to prosecution under section 1001 of title 18, United States Code.

(b) **REPAYMENT.**—In the case of individuals who have received amounts of temporary extended unemployment compensation under this title to which they were not entitled, the State shall require such individuals to repay the amounts of such temporary extended unemployment compensation to the State agency, except that the State agency may waive such repayment if it determines that—

- (1) the payment of such temporary extended unemployment compensation was without fault on the part of any such individual; and
- (2) such repayment would be contrary to equity and good conscience.

(c) **RECOVERY BY STATE AGENCY.**—

(1) **IN GENERAL.**—The State agency may recover the amount to be repaid, or any part thereof, by deductions from any temporary extended unemployment compensation payable to such individual under this title or from any unemployment compensation payable to such individual under any Federal unemployment compensation law administered by the State agency or under any other Federal law administered by the State agency which provides for the payment of any assistance or allowance with respect to any week of unemployment, during the 3-year period after the date such individuals received the payment of the temporary extended unemployment compensation to which they were not entitled, except that no single deduction may exceed 50 percent of the weekly benefit amount from which such deduction is made.

(2) **OPPORTUNITY FOR HEARING.**—No repayment shall be required, and no deduction shall be made, until a determination has been made, notice thereof and an opportunity for a fair hearing has been given to the individual, and the determination has become final.

(d) REVIEW.—Any determination by a State agency under this section shall be subject to review in the same manner and to the same extent as determinations under the State unemployment compensation law, and only in that manner and to that extent.

SEC. 607. DEFINITIONS.

In this title, the terms “compensation”, “regular compensation”, “extended compensation”, “additional compensation”, “benefit year”, “base period”, “State”, “State agency”, “State law”, and “week” have the respective meanings given such terms under section 205 of the Federal-State Extended Unemployment Compensation Act of 1970 (26 U.S.C. 3304 note).

SEC. 608. APPLICABILITY.

An agreement entered into under this title shall apply to weeks of unemployment—

- (1) beginning after the date on which such agreement is entered into; and
- (2) ending before January 1, 2003.

SEC. 609. SPECIAL REED ACT TRANSFER IN FISCAL YEAR 2002.

(a) REPEAL OF CERTAIN PROVISIONS ADDED BY THE BALANCED BUDGET ACT OF 1997.—

(1) IN GENERAL.—The following provisions of section 903 of the Social Security Act (42 U.S.C. 1103) are repealed:

- (A) Paragraph (3) of subsection (a).
- (B) The last sentence of subsection (c)(2).

(2) SAVINGS PROVISION.—Any amounts transferred before the date of enactment of this Act under the provision repealed by paragraph (1)(A) shall remain subject to section 903 of the Social Security Act, as last in effect before such date of enactment.

(b) SPECIAL TRANSFER IN FISCAL YEAR 2002.—Section 903 of the Social Security Act is amended by adding at the end the following:

“Special Transfer in Fiscal Year 2002

“(d)(1) The Secretary of the Treasury shall transfer (as of the date determined under paragraph (5)) from the Federal unemployment account to the account of each State in the Unemployment Trust Fund the amount determined with respect to such State under paragraph (2).

“(2)(A) The amount to be transferred under this subsection to a State account shall (as determined by the Secretary of Labor and certified by such Secretary to the Secretary of the Treasury) be equal to—

“(i) the amount which would have been required to have been transferred under this section to such account at the beginning of fiscal year 2002 if—

“(I) section 609(a)(1) of the Temporary Extended Unemployment Compensation Act of 2002 had been enacted before the close of fiscal year 2001, and

“(II) section 5402 of Public Law 105–33 (relating to increase in Federal unemployment account ceiling) had not been enacted,

minus

“(ii) the amount which was in fact transferred under this section to such account at the beginning of fiscal year 2002.

“(B) Notwithstanding the provisions of subparagraph (A)—

“(i) the aggregate amount transferred to the States under this subsection may not exceed a total of \$8,000,000,000; and

“(ii) all amounts determined under subparagraph (A) shall be reduced ratably, if and to the extent necessary in order to comply with the limitation under clause (i).

“(3)(A) Except as provided in paragraph (4), amounts transferred to a State account pursuant to this subsection may be used only in the payment of cash benefits—

- “(i) to individuals with respect to their unemployment, and
- “(ii) which are allowable under subparagraph (B) or (C).

“(B)(i) At the option of the State, cash benefits under this paragraph may include amounts which shall be payable as—

“(I) regular compensation, or

“(II) additional compensation, upon the exhaustion of any temporary extended unemployment compensation (if such State has entered into an agreement under the Temporary Extended Unemployment Compensation Act of 2002), for individuals eligible for regular compensation under the unemployment compensation law of such State.

“(ii) Any additional compensation under clause (i) may not be taken into account for purposes of any determination relating to the amount of any extended compensation for which an individual might be eligible.

“(C)(i) At the option of the State, cash benefits under this paragraph may include amounts which shall be payable to 1 or more categories of individuals not otherwise eligible for regular compensation under the unemployment compensation law of such State, including those described in clause (iii).

“(ii) The benefits paid under this subparagraph to any individual may not, for any period of unemployment, exceed the maximum amount of regular compensation authorized under the unemployment compensation law of such State for that same period, plus any additional compensation (described in subparagraph (B)(i)) which could have been paid with respect to that amount.

“(iii) The categories of individuals described in this clause include the following:

“(I) Individuals who are seeking, or available for, only part-time (and not full-time) work.

“(II) Individuals who would be eligible for regular compensation under the unemployment compensation law of such State under an alternative base period.

“(D) Amounts transferred to a State account under this subsection may be used in the payment of cash benefits to individuals only for weeks of unemployment beginning after the date of enactment of this subsection.

“(4) Amounts transferred to a State account under this subsection may be used for the administration of its unemployment compensation law and public employment offices (including in connection with benefits described in paragraph (3) and any recipients thereof), subject to the same conditions as set forth in subsection (c)(2) (excluding subparagraph (B) thereof, and deeming the reference to ‘subsections (a) and (b)’ in subparagraph (D) thereof to include this subsection).

“(5) Transfers under this subsection shall be made within 10 days after the date of enactment of this paragraph.”

(c) LIMITATIONS ON TRANSFERS.—Section 903(b) of the Social Security Act shall apply to transfers under section 903(d) of such Act (as amended by this section). For purposes of the preceding sentence, such section 903(b) shall be deemed to be amended as follows:

(1) By substituting “the transfer date described in subsection (d)(5)” for “October 1 of any fiscal year”.

(2) By substituting “remain in the Federal unemployment account” for “be transferred to the Federal unemployment account as of the beginning of such October 1”.

(3) By substituting “fiscal year 2002 (after the transfer date described in subsection (d)(5))” for “the fiscal year beginning on such October 1”.

(4) By substituting “under subsection (d)” for “as of October 1 of such fiscal year”.

(5) By substituting “(as of the close of fiscal year 2002)” for “(as of the close of such fiscal year)”.

(d) TECHNICAL AMENDMENTS.—(1) Sections 3304(a)(4)(B) and 3306(f)(2) of the Internal Revenue Code of 1986 are amended by inserting “or 903(d)(4)” before “of the Social Security Act”.

(2) Section 303(a)(5) of the Social Security Act is amended in the second proviso by inserting “or 903(d)(4)” after “903(c)(2)”.

(e) REGULATIONS.—The Secretary of Labor may prescribe any operating instructions or regulations necessary to carry out this section and the amendments made by this section.

TITLE VII—DISPLACED WORKER HEALTH INSURANCE CREDIT

SEC. 701. DISPLACED WORKER HEALTH INSURANCE CREDIT.

(a) IN GENERAL.—Subchapter B of chapter 65 is amended by inserting after section 6428 the following new section:

“SEC. 6429. DISPLACED WORKER HEALTH INSURANCE CREDIT.

“(a) IN GENERAL.—In the case of an individual, there shall be allowed as a credit against the tax imposed by subtitle A an amount equal to 60 percent of the amount paid during the taxable year for coverage for the taxpayer, the taxpayer’s spouse, and dependents of the taxpayer under qualified health insurance during eligible coverage months.

“(b) ONLY 12 ELIGIBLE COVERAGE MONTHS.—The number of eligible coverage months taken into account under subsection (a) for all taxable years shall not exceed 12.

“(c) ELIGIBLE COVERAGE MONTH.—For purposes of this section—

“(1) IN GENERAL.—The term ‘eligible coverage month’ means any month during 2002 or 2003 if, as of the first day of such month—

“(A) the taxpayer is unemployed,

“(B) the taxpayer is covered by qualified health insurance,

“(C) the premium for coverage under such insurance for such month is paid by the taxpayer, and

“(D) the taxpayer does not have other specified coverage.

“(2) SPECIAL RULES.—

“(A) TREATMENT OF FIRST MONTH OF EMPLOYMENT.—The taxpayer shall be treated as meeting the requirement of paragraph (1)(A) for the first month beginning on or after the date that the taxpayer ceases to be unemployed by reason of beginning work for an employer.

“(B) INITIAL CLAIM MUST BE AFTER MARCH 15, 2001.—The taxpayer shall not be treated as meeting the requirement of paragraph (1)(A) with respect to any unemployment if the initial claim for regular compensation for such unemployment is filed on or before March 15, 2001.

“(C) JOINT RETURNS.—In the case of a joint return, the requirements of paragraph (1) shall be treated as met if at least 1 spouse satisfies such requirements.

“(3) OTHER SPECIFIED COVERAGE.—For purposes of this subsection, an individual has other specified coverage for any month if, as of the first day of such month—

“(A) SUBSIDIZED COVERAGE.—

“(i) IN GENERAL.—Such individual is covered under any qualified health insurance under which at least 50 percent of the cost of coverage (determined under section 4980B) is paid or incurred by an employer (or former employer) of the taxpayer or the taxpayer’s spouse.

“(ii) TREATMENT OF CAFETERIA PLANS AND FLEXIBLE SPENDING ACCOUNTS.—For purposes of clause (i), the cost of benefits—

“(I) which are chosen under a cafeteria plan (as defined in section 125(d)), or provided under a flexible spending or similar arrangement, of such an employer, and

“(II) which are not includible in gross income under section 106, shall be treated as borne by such employer.

“(B) COVERAGE UNDER MEDICARE, MEDICAID, OR SCHIP.—Such individual—

“(i) is entitled to benefits under part A of title XVIII of the Social Security Act or is enrolled under part B of such title, or

“(ii) is enrolled in the program under title XIX or XXI of such Act.

“(C) CERTAIN OTHER COVERAGE.—Such individual—

“(i) is enrolled in a health benefits plan under chapter 89 of title 5, United States Code, or

“(ii) is entitled to receive benefits under chapter 55 of title 10, United States Code.

“(4) DETERMINATION OF UNEMPLOYMENT.—For purposes of paragraph (1), an individual shall be treated as unemployed during any period—

“(A) for which such individual is receiving unemployment compensation (as defined in section 85(b)), or

“(B) for which such individual is certified by a State agency (or by any other entity designated by the Secretary) as otherwise being entitled to receive unemployment compensation (as so defined) but for—

“(i) the termination of the period during which such compensation was payable, or

“(ii) an exhaustion of such individual’s rights to such compensation.

“(d) QUALIFIED HEALTH INSURANCE.—For purposes of this section, the term ‘qualified health insurance’ means insurance which constitutes medical care; except that such term shall not include any insurance if substantially all of its coverage is of excepted benefits described in section 9832(c).

“(e) COORDINATION WITH ADVANCE PAYMENTS OF CREDIT.—

“(1) RECAPTURE OF EXCESS ADVANCE PAYMENTS.—If any payment is made by the Secretary under section 7527 during any calendar year to a provider of qualified health insurance for an individual, then the tax imposed by this chapter for the individual’s last taxable year beginning in such calendar year shall be increased by the aggregate amount of such payments.

“(2) RECONCILIATION OF PAYMENTS ADVANCED AND CREDIT ALLOWED.—Any increase in tax under paragraph (1) shall not be treated as tax imposed by this

chapter for purposes of determining the amount of any credit (other than the credit allowed by subsection (a)) allowable under part IV of subchapter A of chapter 1.

“(f) SPECIAL RULES.—

“(1) COORDINATION WITH OTHER DEDUCTIONS.—Amounts taken into account under subsection (a) shall not be taken into account in determining any deduction allowed under section 162(l) or 213.

“(2) MSA DISTRIBUTIONS.—Amounts distributed from an Archer MSA (as defined in section 220(d)) shall not be taken into account under subsection (a).

“(3) DENIAL OF CREDIT TO DEPENDENTS.—No credit shall be allowed under this section to any individual with respect to whom a deduction under section 151 is allowable to another taxpayer for a taxable year beginning in the calendar year in which such individual’s taxable year begins.

“(4) CREDIT TREATED AS REFUNDABLE CREDIT.—For purposes of this title, the credit allowed under this section shall be treated as a credit allowable under subpart C of part IV of subchapter A of chapter 1.

“(5) REGULATIONS.—The Secretary may prescribe such regulations and other guidance as may be necessary or appropriate to carry out this section and section 7527.”.

(b) INCREASED ACCESS TO HEALTH INSURANCE FOR INDIVIDUALS ELIGIBLE FOR TAX CREDIT THROUGH USE OF GUARANTEED ISSUE, QUALIFIED HIGH RISK POOLS, AND OTHER APPROPRIATE STATE MECHANISMS.—

(1) IN GENERAL.—Notwithstanding any other provision of law, in applying section 2741 of the Public Health Service Act (42 U.S.C. 300gg–41) and any alternative State mechanism under section 2744 of such Act (42 U.S.C. 300gg–44), in determining who is an eligible individual (as defined in section 2741(b) of such Act) in the case of an individual who may be covered by insurance for which credit is allowable under section 6429 of the Internal Revenue Code of 1986 for an eligible coverage month, if the individual seeks to obtain health insurance coverage under such section during an eligible coverage month under such section—

(A) paragraph (1) of such section 2741(b) shall be applied as if any reference to 18 months is deemed a reference to 12 months, and

(B) paragraphs (4) and (5) of such section 2741(b) shall not apply.

(2) PROMOTION OF STATE HIGH RISK POOLS.—Title XXVII of the Public Health Service Act is amended by inserting after section 2744 the following new section:

“SEC. 2745. PROMOTION OF QUALIFIED HIGH RISK POOLS.

“(a) SEED GRANTS TO STATES.—The Secretary shall provide from the funds appropriated under subsection (c)(1) a grant of up to \$1,000,000 to each State that has not created a qualified high risk pool as of the date of the enactment of this section for the State’s costs of creation and initial operation of such a pool.

“(b) MATCHING FUNDS FOR OPERATION OF POOLS.—

“(1) IN GENERAL.—In the case of a State that has established a qualified high risk pool that restricts premiums charged under the pool to no more than 150 percent of the premium for applicable standard risk rates and that offers a choice of two or more coverage options through the pool, from the funds appropriated under subsection (c)(2) and allotted to the State under paragraph (2), the Secretary shall provide a grant of up to 50 percent of the losses incurred by the State in connection with the operation of the pool.

“(2) ALLOTMENT.—The amounts appropriated under subsection (c)(2) for a fiscal year shall be made available to the States in accordance with a formula that is based upon the number of uninsured individuals in the States.

“(3) CONSTRUCTION.—Nothing in this subsection shall be construed as preventing a State from supplementing the funds made available under this subsection for the support and operation of qualified high risk pools.

“(c) FUNDING.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated—

“(1) \$20,000,000 for fiscal year 2002 to carry out subsection (a); and

“(2) \$40,000,000 for each of fiscal years 2002 and 2003.

Funds appropriated under this subsection for a fiscal year shall remain available for obligation through the end of the following fiscal year. Nothing in this section shall be construed as providing a State with an entitlement to a grant under this section.

“(d) QUALIFIED HIGH RISK POOL AND STATE DEFINED.—For purposes of this section, the term ‘qualified high risk pool’ has the meaning given such term in section 2744(c)(2) and the term ‘State’ means any of the 50 States and the District of Columbia.”.

(3) CONSTRUCTION.—Nothing in this subsection shall be construed as affecting the ability of a State to use mechanisms, described in sections 2741(c) and 2744 of the Public Health Service Act, as an alternative to applying the guaranteed availability provisions of section 2741(a) of such Act.

(c) INFORMATION REPORTING.—

(1) IN GENERAL.—Subpart B of part III of subchapter A of chapter 61 (relating to information concerning transactions with other persons) is amended by inserting after section 6050S the following new section:

“SEC. 6050T. RETURNS RELATING TO DISPLACED WORKER HEALTH INSURANCE CREDIT.

“(a) REQUIREMENT OF REPORTING.—Every person—

“(1) who, in connection with a trade or business conducted by such person, receives payments during any calendar year from any individual for coverage of such individual or any other individual under qualified health insurance (as defined in section 6429(d)), and

“(2) who claims a reimbursement for an advance credit amount, shall, at such time as the Secretary may prescribe, make the return described in subsection (b) with respect to each individual from whom such payments were received or for whom such a reimbursement is claimed.

“(b) FORM AND MANNER OF RETURNS.—A return is described in this subsection if such return—

“(1) is in such form as the Secretary may prescribe, and

“(2) contains—

“(A) the name, address, and TIN of each individual referred to in subsection (a),

“(B) the aggregate of the advance credit amounts provided to such individual and for which reimbursement is claimed,

“(C) the number of months for which such advance credit amounts are so provided, and

“(D) such other information as the Secretary may prescribe.

“(c) STATEMENTS TO BE FURNISHED TO INDIVIDUALS WITH RESPECT TO WHOM INFORMATION IS REQUIRED.—Every person required to make a return under subsection (a) shall furnish to each individual whose name is required to be set forth in such return a written statement showing—

“(1) the name and address of the person required to make such return and the phone number of the information contact for such person, and

“(2) the information required to be shown on the return with respect to such individual.

The written statement required under the preceding sentence shall be furnished on or before January 31 of the year following the calendar year for which the return under subsection (a) is required to be made.

“(d) ADVANCE CREDIT AMOUNT.—For purposes of this section, the term ‘advance credit amount’ means an amount for which the person can claim a reimbursement pursuant to a program established by the Secretary under section 7527.”

(2) ASSESSABLE PENALTIES.—

(A) Subparagraph (B) of section 6724(d)(1) (relating to definitions) is amended by redesignating clauses (xi) through (xvii) as clauses (xii) through (xviii), respectively, and by inserting after clause (x) the following new clause:

“(xi) section 6050T (relating to returns relating to displaced worker health insurance credit).”

(B) Paragraph (2) of section 6724(d) is amended by striking “or” at the end of subparagraph (Z), by striking the period at the end of subparagraph (AA) and inserting “, or”, and by adding after subparagraph (AA) the following new subparagraph:

“(BB) section 6050T (relating to returns relating to displaced worker health insurance credit).”

(3) CLERICAL AMENDMENT.—The table of sections for subpart B of part III of subchapter A of chapter 61 is amended by inserting after the item relating to section 6050S the following new item:

“Sec. 6050T. Returns relating to displaced worker health insurance credit.”

(d) CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 1324(b) of title 31, United States Code, is amended by inserting before the period “, or from section 6429 of such Code”.

(2) The table of sections for subchapter B of chapter 65 is amended by adding at the end the following new item:

“Sec. 6429. Displaced worker health insurance credit.”

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 702. ADVANCE PAYMENT OF DISPLACED WORKER HEALTH INSURANCE CREDIT.

(a) **IN GENERAL.**—Chapter 77 (relating to miscellaneous provisions) is amended by adding at the end the following new section:

“SEC. 7527. ADVANCE PAYMENT OF DISPLACED WORKER HEALTH INSURANCE CREDIT.

“(a) **GENERAL RULE.**—The Secretary shall establish a program for making payments on behalf of eligible individuals to providers of health insurance for such individuals.

“(b) **ELIGIBLE INDIVIDUAL.**—For purposes of this section, the term ‘eligible individual’ means any individual for whom a qualified health insurance credit eligibility certificate is in effect.

“(c) **QUALIFIED HEALTH INSURANCE CREDIT ELIGIBILITY CERTIFICATE.**—For purposes of this section, a qualified health insurance credit eligibility certificate is a statement certified by a State agency (or by any other entity designated by the Secretary) which—

“(1) certifies that the individual was unemployed (within the meaning of section 6429) as of the first day of any month, and

“(2) provides such other information as the Secretary may require for purposes of this section.”

(b) **CLERICAL AMENDMENT.**—The table of sections for chapter 77 is amended by adding at the end the following new item:

“Sec. 7527. Advance payment of displaced worker health insurance credit.”

(c) **EFFECTIVE DATE.**—The amendments made by this section shall take effect on the date of the enactment of this Act.

TITLE VIII—EMPLOYMENT AND TRAINING ASSISTANCE AND TEMPORARY HEALTH CARE COVERAGE ASSISTANCE

SEC. 801. EMPLOYMENT AND TRAINING ASSISTANCE AND TEMPORARY HEALTH CARE COVERAGE ASSISTANCE.

(a) **IN GENERAL.**—Section 173(a) of the Workforce Investment Act of 1998 (29 U.S.C. 2918(a)) is amended—

(1) in paragraph (2), by striking “and” at the end;

(2) in paragraph (3), by striking the period at the end and inserting “; and”; and

(3) by adding at the end the following:

“(4) to the Governor of any State or outlying area who applies for assistance under subsection (f) to provide employment and training assistance and temporary health care coverage assistance to workers affected by major economic dislocations, such as plant closures, mass layoffs, or multiple layoffs, including those dislocations caused by the terrorist attacks of September 11, 2001.”

(b) **REQUIREMENTS.**—Section 173 of the Workforce Investment Act of 1998 (29 U.S.C. 2918) is amended by adding at the end the following:

“(f) **ADDITIONAL RELIEF FOR MAJOR ECONOMIC DISLOCATIONS.**—

“(1) **GRANT RECIPIENT ELIGIBILITY.**—

“(A) **IN GENERAL.**—To be eligible to receive a grant under subsection (a)(4), a Governor shall submit an application, for assistance described in subparagraph (B), to the Secretary at such time, in such manner, and containing such information as the Secretary may require.

“(B) **TYPES OF ASSISTANCE.**—

“(i) **IN GENERAL.**—Assistance described in this subparagraph is—

“(I) employment and training assistance, including employment and training activities described in section 134; and

“(II) temporary health care coverage assistance described in paragraph (4).

“(ii) **MINIMUM ALLOCATION TO TEMPORARY HEALTH CARE COVERAGE ASSISTANCE.**—Not less than 30 percent of the cost of assistance requested in any application submitted under this subsection shall consist of the cost for temporary health care coverage assistance described in paragraph (4).

“(iii) **ENCOURAGEMENT OF CERTAIN TYPES OF HEALTH CARE COVERAGE.**—In publishing requirements for applications under this subsection, the Secretary shall encourage the use of private health coverage alternatives.

“(C) **MINIMUM AWARD REQUIREMENT FOR ELIGIBLE STATES AND OUTLYING AREAS.**—

“(i) REQUIREMENTS.—In any case in which the requirements of this section are met in connection with one or more applications of the Governor of any State or outlying area for assistance described in subparagraph (B), the Governor—

“(I) shall be awarded at least 1 grant under subsection (a)(4) pursuant to such applications, and

“(II) except as provided in clause (ii), shall be awarded not less than \$5,000,000 in total grants awarded under (a)(4).

“(ii) EXCEPTION TO MINIMUM GRANT REQUIREMENTS.—The Secretary may award to a Governor a total amount less than the minimum total amount specified in clause (i)(II), as appropriate, if the Governor—

“(I) requests less than such minimum total amount, or

“(II) fails to demonstrate to the Secretary that there are a sufficient number of eligible recipients to justify the awarding of grants in such minimum total amount.

“(2) STATE ADMINISTRATION.—The Governor may designate one or more local workforce investment boards or other entities with the capability to respond to the circumstances relating to the particular closure, layoff, or other dislocation to administer the grant under subsection (a)(4).

“(3) PARTICIPANT ELIGIBILITY.—An individual shall be eligible to receive assistance described in paragraph (1)(B) under a grant awarded under subsection (a)(4) if such individual is a dislocated worker and the Governor has certified that a major economic dislocation, such as a plant closure, mass layoff, or multiple layoff, including a dislocation caused by the terrorist attacks of September 11, 2001, contributed importantly to the dislocation.

“(4) TEMPORARY HEALTH CARE COVERAGE ASSISTANCE.—

“(A) IN GENERAL.—Temporary health care coverage assistance described in this paragraph consists of health care coverage premium assistance provided to qualified individuals under this paragraph with respect to premiums for coverage for themselves, for their spouses, for their dependents, or for any combination thereof, other than premiums for excluded health insurance coverage.

“(B) QUALIFIED INDIVIDUALS.—For purposes of this paragraph—

“(i) IN GENERAL.—Subject to clause (ii), a qualified individual is an individual who—

“(I) is a dislocated worker referred to in paragraph (3) with respect to whom the Governor has made the certification regarding the dislocation as required under such paragraph, and

“(II) is receiving or has received employment and training assistance as described in paragraph (1)(B)(i)(I).

“(ii) LIMITATION.—An individual shall not be treated as a qualified individual if—

“(I) such individual is eligible for coverage under the program under title XIX of the Social Security Act applicable in the State or outlying area, or

“(II) such individual is eligible for coverage under the program under title XXI of such Act applicable in the State or outlying area, unless such eligibility is effective solely in connection with eligibility for health care coverage premium assistance under a program established by the Governor in connection with temporary health care coverage assistance received under this subsection.

“(iii) CONSTRUCTION.—

“(I) PERMITTING COVERAGE THROUGH ENROLLMENT IN MEDICAID OR SCHIP.—Nothing in this subsection shall be construed as preventing a State from using funds made available by reason of subsection (a)(4) to provide health care coverage through enrollment in the program under title XIX (relating to medicaid) or in the program under title XXI (relating to SCHIP) of the Social Security Act, but only in the case of individuals who are not otherwise eligible for coverage under either such program.

“(II) NOT AFFECTING ELIGIBILITY FOR ASSISTANCE.—An individual shall not be treated for purposes of this subsection as being eligible for coverage under either such program (and thereby not eligible for assistance under this subsection) merely on the basis that the State provides assistance under this subsection through coverage under either such program.

“(C) LIMITATION ON ENTITLEMENT.—Nothing in this subsection shall be construed as establishing any entitlement of qualified individuals to premium assistance under this subsection.

“(D) CONCURRENCE AND CONSULTATION.—In connection with any temporary health care coverage assistance provided pursuant to this paragraph—

“(i) if the Secretary determines that health care coverage premium assistance provided through title XIX or XXI of the Social Security Act is a substantial component of the assistance provided, the Secretary shall act in concurrence with the Secretary of Health and Human Services, and

“(ii) in any other case, the Secretary shall consult with the Secretary of Health and Human Services to the extent that such assistance affects programs administered by or under the Secretary of Health and Human Services.

“(E) USE OF FUNDS.—Temporary health care coverage assistance provided pursuant to this subsection shall supplement and may not supplant any other State or local funds used to provide health care coverage and may not be included in determining the amount of non-Federal contributions required under any program.

“(F) DEFINITIONS.—For purposes of this paragraph—

“(i) EXCLUDED HEALTH CARE COVERAGE.—The term ‘excluded health care coverage’ means coverage under—

“(I) title XVIII of the Social Security Act,

“(II) chapter 55 of title 10, United States Code,

“(III) chapter 17 of title 38, United States Code,

“(IV) chapter 89 of title 5, United States Code (other than coverage which is comparable to continuation coverage under section 4980B of the Internal Revenue Code of 1986), or

“(V) the Indian Health Care Improvement Act.

Such term also includes coverage under a qualified long-term care insurance contract and excepted benefits described in section 733(c) of the Employee Retirement Income Security Act of 1974.

“(ii) PREMIUM.—The term ‘premium’ means, in connection with health care coverage, the premium which would (but for this section) be charged for the cost of coverage.

“(5) APPROPRIATIONS.—

“(A) IN GENERAL.—There is hereby appropriated, from any amounts in the Treasury not otherwise appropriated, \$3,900,000,000 for the period consisting of fiscal years 2002, 2003, and 2004 for the award of grants under subsection (a)(4) in accordance with this section.

“(B) AVAILABILITY.—Amounts appropriated pursuant to subparagraph (A) for each fiscal year—

“(i) are in addition to amounts made available under section 132(a)(2)(A) or any other provision of law to carry out this section; and

“(ii) notwithstanding section 189(g)(1), shall remain available for obligation by the Secretary from the date of the enactment of this subsection through each succeeding fiscal year, except that, notwithstanding section 189(g)(2), no funds are hereby available for expenditure after June 30, 2004.”.

TITLE IX—TEMPORARY STATE HEALTH CARE ASSISTANCE

SEC. 901. TEMPORARY STATE HEALTH CARE ASSISTANCE.

(a) IN GENERAL.—Title XXI of the Social Security Act is amended by adding at the end the following new section:

“SEC. 2111. TEMPORARY STATE HEALTH CARE ASSISTANCE.

“(a) IN GENERAL.—For the purpose of providing allotments to States under this section, there are hereby appropriated, out of any funds in the Treasury not otherwise appropriated, \$4,599,667,448. Such funds shall be available for expenditure by the State through the end of 2002. This section constitutes budget authority in advance of appropriations Acts and represents the obligation of the Federal Government to provide for the payment to States of amounts provided under this section.

“(b) ALLOTMENT.—Funds appropriated under subsection (a) shall be allotted by the Secretary among the States in accordance with the following table:

“State	Allotment (in dollars)
Alabama	50,746,770
Alaska	31,934,026
Arizona	68,594,677
Arkansas	38,203,601
California	482,591,746
Colorado	37,469,775
Connecticut	60,039,005
Delaware	10,355,807
District of Columbia	18,321,834
Florida	164,619,369
Georgia	118,754,564
Hawaii	12,827,163
Idaho	13,031,700
Illinois	175,505,956
Indiana	66,067,368
Iowa	31,521,201
Kansas	27,288,967
Kentucky	82,759,133
Louisiana	83,907,301
Maine	22,650,838
Maryland	60,347,066
Massachusetts	121,971,140
Michigan	156,479,213
Minnesota	113,966,453
Mississippi	55,335,225
Missouri	74,675,436
Montana	10,224,652
Nebraska	31,582,786
Nevada	14,695,973
New Hampshire	15,482,962
New Jersey	115,880,093
New Mexico	39,204,714
New York	573,999,663
North Carolina	189,333,723
North Dakota	8,915,675
Ohio	166,006,936
Oklahoma	48,914,626
Oregon	71,160,353
Pennsylvania	227,183,255
Rhode Island	45,001,680
South Carolina	94,789,740
South Dakota	19,951,788
Tennessee	102,845,128
Texas	289,526,532
Utah	30,860,915
Vermont	10,291,090
Virginia	67,232,217
Washington	110,377,264
West Virginia	31,120,804
Wisconsin	93,089,086
Wyoming	12,030,459

“(c) USE OF FUNDS.—

“(1) IN GENERAL.—Funds appropriated under this section may be used by a State only to provide health care items and services (other than types of items and services for which Federal financial participation is prohibited under this title or title XIX).

“(2) LIMITATION.—Funds so appropriated may not be used to match other Federal expenditures or in any other manner that results in the expenditure of Federal funds in excess of the amounts provided under this section.

“(d) PAYMENT TO STATES.—Funds made available under this section shall be paid to the States in a form and manner and time specified by the Secretary, based upon the submission of such information as the Secretary may require. There is no requirement for the expenditure of any State funds in order to qualify for receipt of funds under this section. The previous sections of this title shall not apply with respect to funds provided under this section.

“(e) DEFINITION.—For purposes of this section, the term ‘State’ means the 50 States and the District of Columbia.”

(b) REPEAL.—Effective as of January 1, 2003, section 2111 of the Social Security Act, as inserted by subsection (a), is repealed.

TITLE X—SOCIAL SECURITY HELD HARMLESS; BUDGETARY TREATMENT OF ACT

SEC. 1001. NO IMPACT ON SOCIAL SECURITY TRUST FUNDS.

(a) IN GENERAL.—Nothing in this Act (or an amendment made by this Act) shall be construed to alter or amend title II of the Social Security Act (or any regulation promulgated under that Act).

(b) TRANSFERS.—

(1) ESTIMATE OF SECRETARY.—The Secretary of the Treasury shall annually estimate the impact that the enactment of this Act has on the income and balances of the trust funds established under section 201 of the Social Security Act (42 U.S.C. 401).

(2) TRANSFER OF FUNDS.—If, under paragraph (1), the Secretary of the Treasury estimates that the enactment of this Act has a negative impact on the income and balances of the trust funds established under section 201 of the Social Security Act (42 U.S.C. 401), the Secretary shall transfer, not less frequently than quarterly, from the general revenues of the Federal Government an amount sufficient so as to ensure that the income and balances of such trust funds are not reduced as a result of the enactment of this Act.

SEC. 1002. EMERGENCY DESIGNATION.

Congress designates as emergency requirements pursuant to section 252(e) of the Balanced Budget and Emergency Deficit Control Act of 1985 the following amounts:

(1) An amount equal to the amount by which revenues are reduced by this Act below the recommended levels of Federal revenues for fiscal year 2002, the total of fiscal years 2002 through 2006, and the total of fiscal years 2002 through 2011, provided in the conference report accompanying H. Con. Res. 83, the concurrent resolution on the budget for fiscal year 2002.

(2) Amounts equal to the amounts of new budget authority and outlays provided in this Act in excess of the allocations under section 302(a) of the Congressional Budget Act of 1974 to the Committee on Finance of the Senate for fiscal year 2002, the total of fiscal years 2002 through 2006, and the total of fiscal years 2002 through 2011.

In lieu of the matter proposed to be inserted by the amendment of the Senate to the title of the bill, insert the following:

To provide tax incentives for economic recovery and assistance to displaced workers.